

Culture and Engagement Survey

New governance also requires new ways of analysing employees' perceptions of their work. This year, for the first time, a single culture and engagement survey was conducted worldwide that covered a wide variety of topics. The newly introduced survey replaces all other surveys on the topic. Specific attention was devoted to the connection between employees' day-to-day working experiences and the realisation of Rabobank's strategy.

Even though the results show positive change in some areas, in most areas the scores are lower than compared to a similar (smaller scoped) survey conducted two years ago. First and foremost, the results provide us with useful points for improvement to clarify the bank's strategy, improve the overall leadership and working environment and reduce bureaucracy. Employees have indicated their engagement and support, but have also voiced their concern. The transformation the bank is going through indicates that employees are highly involved, but at the same time also have feelings of concern. The current plan is to conduct this extensive, global survey annually. In addition to this, a 'pulse survey' will be introduced in order to measure effectiveness of management interventions on a quarterly basis. Furthermore, the bank is moving towards a more integrated approach of managing financial and health performance.

Because we see sustainability as a part of our cooperative identity, we also measure our employees' attitude towards sustainability through how they experience our cooperative identity. In the global questionnaire we measured how employees perceive their daily activities in relation to Rabobank's strategy for the future, also in view of our cooperative identity. In alignment with the sustainability programme SST¹, the questionnaire measures the topics 'Cooperation with the customer' and 'Characteristics of cooperatives':

KPI: We aim to increase our organisation's score on the criteria 'customer cooperation' and 'cooperative characteristics' in the employee survey each year.

Result of employee survey 'Customer focus'

% '(strongly) agree', not including 'don't know' / 'n/a'

Rabobank has developed high levels of client loyalty	62
Rabobank effectively manages external business relationships with clients, partners and stakeholders	54
Rabobank identifies and targets specific groups of clients with tailored offerings	49
Rabobank solicits feedback from its clients to improve its ability to meet clients needs	78
Managers communicate that products and services offered need to be in long term client interests	69
When making decisions, I assess the impact on Rabobank's clients and Rabobank	90
We make sure our systems and processes are client oriented	56

Result of employee survey 'Meaningful cooperation'

% '(strongly) agree', not including 'don't know' / 'n/a'

Rabobank maintains a network of external business partners	77
Rabobank works with external partners to help them perform well	65
Rabobank invests significant resources to build and maintain strong relationships with the community	80
Rabobank invests in relationships with government, regulatory, and consumer groups	73
It is possible to combine our cooperative identity with our processes and procedures	47
In its policies, Rabobank is mindful of the impact these policies will have on society	67
It is clear how the Banking for Food and Banking for the Netherlands objectives are translated into goals and milestones	42
Management encourages different parts of Rabobank to work together to make improvements	45
Rabobank holds events to share knowledge and ideas across the organisation	41
Leaders in Rabobank (including my manager) create a sense of teamwork and mutual support throughout Rabobank	61

n=17,232

The results show a clear consciousness of employee decision-making on impact of the bank (90%) as well as an awareness of our role within the community (80%), fitting the sustainability ambitions. Simultaneously only 42% recognises a clear translation of our strategies to goals. We expect to see an increase in this result as 2016 was only the first year in which the strategies were operational.

The new employee survey has posed different questions from other surveys performed in previous years, even though themes remain similar. The scores can therefore not be compared to the 2015 figures. The above presented scores are a subset belonging to the topics 'Customer focus' and 'Meaningful cooperation' of the complete survey.

The results have been shared with the board and the direct reports, and subsequently with all other employees.

¹ Refer to SST in [Appendix 2](#).

Sustainability in training

We are currently halfway through the SST programme (2014-2020) and sustainability is now part of the educational framework of the business lines in the Netherlands. Since 2014, we have been offering our account managers a workshop on discussing sustainability risks and opportunities with clients. This year saw the introduction of another workshop aimed at our advisers on the integration of the financing of energy-saving measures within the mortgage consultations.

In 2016, we also organised a number of workshops on the topic of new cooperatives. These workshops trained 81 local Rabobanks on offering professional services to groups who are looking for ways to contribute to broader societal themes with the objective of benefitting society while making a profit.

Since the roll-out in 2015, 34 local Rabobanks have already followed a management workshop on Sustainability (16 banks in 2016). This is a non-mandatory tailor-made workshop of 2.5 hours to inspire management teams and assist them in integrating sustainability into their businesses.

Next to all specific trainings on sustainability, the topic of sustainability is integrated into different courses for client-facing staff and management teams. Examples include the Credit Risk Management curriculum for client-facing staff in our Corporate and Wholesale divisions, the annual KICK trainings for local Rabobank employees and the Continuing Education for all Heads of Local Rabobanks ('directievoorzitters') and their Corporate Heads ('directeuren bedrijven').

We have also launched a company-wide e-learning module on sustainability, IJoin, to train all employees on the topic of sustainability. IJoin covers all areas of sustainability: social engagement, our own business operations and the integration of sustainability into our products and services to clients. Participants are also invited to share their suggestions for more sustainable steps within the bank.

Sustainability as an educational theme is growing in importance. However, both the Sustainability department and Human Resources have the ambition to jointly take the opportunity to develop a systematic approach to the integration of sustainability in education in 2017. We will focus on creating a company-wide programme which will include sustainability, integrating it into educational programmes for client-facing staff as well as management development programmes.

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

Target group	Number of specific sustainability trainings available (non-mandatory)	Percentage of local Rabobanks where courses were held in 2016
Retail advisers local Rabobanks	2	12%
Corporate division local Rabobank	2	76%
Management local Rabobanks	1	16%

Rabobank has integrated the subject of sustainability in more trainings and educational programmes, in addition to the above presented figures. However, structural measuring of these programmes is yet to be initiated. In 2017 a project will start in which sustainability will be integrated in all relevant training programmes. With regard to recruitment and selection the topic of sustainability has been integrated in onboarding programmes, but is yet to be embedded further in selection processes.

Sustainable procurement of educational programmes and employees

Rabobank suppliers of educational programmes and external employees are expected to comply with Rabobanks Sustainable Procurement Standard, drawn up in 2016. These suppliers are requested to submit a CSR Profile from the platform FIRA.

Our output and impact

Encouraging diversity and equality

In addition to more attention for gender diversity, 2016 saw specific attention devoted to the promotion of overall cultural diversity, creating employment opportunities for people with an occupational disability, and the acceptance of LGBTI, as illustrated by the fact that Rabobank joined the Amsterdam Gay Parade for the first time. Rabobank signed the Charter Diversity (Charter Diversiteit in Bedrijf) in May 2016, demonstrating our commitment to promoting workplace diversity and inclusiveness. Our Diversity Board, comprising directors of both local and central units and chaired by a Supervisory Board member, meets each quarter to monitor policy compliance and realisation of targets.

Diversity and inclusiveness

Diversity is an integral part of the Rabobank's strategic objectives, as we strongly believe that a more diverse staff profile will enable us to better understand and serve our customers. Effort has been invested in raising awareness and communication. In addition to training and workshops, communication is a key means of achieving these goals. This is why we have included diversity in our profile description on Rabobank.com, and why we are now publishing a biannual staff magazine focused on diversity. It is also the reason why dozens of meetings are organised by the various networks now at our disposal. The Agora network, for example, in which Rabobank is participating, organises a cross-mentoring programme for multicultural employees, and Rabo Women has run over 40 events on topics including leadership, diversities, corporate responsibility, role models and work-life balance. The 'Rainbow' LGBTI network was responsible for Rabobank's participation in Amsterdam Gay Pride for the first time, and various bank entities have organised festivities as part of Roze Zaterdag (Pink Saturday) and Coming Out Day. Rap aan de Slag (a network for people with extra challenges in life) organised an inspirational event with Paralympian Bibian Mentel and others, and the bank's youth network Jong en Wij(s) Rabo devoted attention to generational differences and the added value they can provide, along with a range of other activities.

Development is slow but steady in terms of the target figures that have been set for gender diversity. Growth was strongest among the top 50, or the directors who must report directly to the Executive Board. While the figures were at 11.9% at year-end 2015, they had risen to 23.8% by the end of 2016, representing almost a 12% increase. Programmes such as sponsoring, boardroom coaching, cross-mentoring and empowerment workshops are in place to further encourage the advancement of women to executive roles.

A culturally diverse working group has developed a long-term plan for the promotion of cultural diversity in the work force and customer base, with a focus on commercial opportunities within multicultural society. Our marketing & communication campaigns can still be tailored more effectively to our various customer target groups. Best practices will be shared more extensively throughout the organisation in 2017.

Despite the reorganisation and downsizing, half the local Rabobanks have succeeded in reserving positions for employees with an occupational disability. One-third of local Rabobanks have also contracted external suppliers (for catering, cleaning and reprographic services) to promote labour participation among the target group, and 58% of local Rabobanks are involved in regional and other network initiatives for the creation of employment opportunities for people with an occupational disability.

Employee representation

Consultation with employee representative bodies within Rabobank takes place both formally and informally. On 1 July 2016 a new employee representation structure was introduced in light of the new governance within Rabobank. The new structure was enacted following intensive dialogue with existing works councils (the Works Council of Rabobank Nederland and the Group Works Council of local Rabobanks). Elections were held in spring 2016 for the new joint works council (OR Rabobank), which will meet to discuss matters of joint interest. Local works councils (i.e. those of the local Rabobanks and OR Rabobank Nederland) will continue to play a key role in matters of local importance.

Industrial Relations Disputes Procedure (GRA)

The Industrial Relations Disputes Procedure (GRA) provides a way for managers and staff to bring difficult situations before an independent and unbiased third party. The aim of the advisers/mediators is to resolve differences of opinion locally within the organisation, preferably in open dialogue between the bank and the employee. The Disputes Committee can also be asked to issue a binding decision.

Most disputes in 2016 were related to reorganisations, differences of opinion regarding employee performance, or strained workplace relations. There were also many disputes involving the application of employment terms and conditions. The year was characterised by many change processes in the organisation and a drop in total FTE numbers due to redundancies. This caused insecurity among many employees and led them to reassess their own position and prospects. In 2016, the GRA handled 204 disputes (254 in 2015). The advisory procedure was the one most frequently applied in disputes (153 in 2016). There were 24 cases of arbitration, and 20 cases of mediation. Six cases were presented to the Industrial Relations Disputes Committee, which issued four binding decisions after reviewing both verbal and written statements from both parties. In two cases, the parties resolved the matter satisfactorily either before or after the hearing, thus eliminating the need for a decision. The Board of Arbitration for staff members at Executive levels took one decision.

Our output and impact

Responsible remuneration

As a bank with a cooperative background, Rabobank navigates its own, socially responsible and comparatively moderate strategy within the bounds of legislation and regulations when determining remuneration. All Rabobank employees receive a salary and a set of employment conditions which corresponds with their responsibilities and performance, as well as an inspiring working environment in which to develop and make the most of themselves and their talents.

We believe that reward is more than just payment. Our background as a cooperative means we offer positions that allow employees to make a real difference both in the local communities where they work and internationally by contributing to our goal of providing a solution to the global food issue.

Remuneration policy

Rabobank's Vision on Remuneration and Group Remuneration Policy (GRP) serve as a framework within which several entities define their own remuneration arrangements. Agreements on remuneration are captured in the CLA. The Rabobank CLA applies to most Rabobank employees. A separate remuneration policy applies to the Executive Board and other executives, and DLL and Rabo Real Estate Group have each adopted remuneration policies of their own within the framework. A separate CLA is in place for most employees of Rabobank 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, as well as market conditions.

Rabobank's Vision on remuneration

Rabobank's remuneration policy is designed to promote fair and consistent employee compensation. (See [Vision](#) to review the basic principles). Our annual performance management cycle supports Rabobank's business strategy and assesses employee performance. We use external benchmarking with the aim to set our remuneration on or just shy of the market median for comparable work. The risk management framework and the guiding principle based on legislation of 'rewards for success, not failure' means guaranteed variable remuneration to employees is not permitted. Variable remuneration is no longer offered to most employees. Where Rabobank Group does still award variable remuneration, it has been capped.

Annual performance management

The annual performance management cycle stimulates putting customer interests first and promotes the financial strength and long-term continuity of Rabobank. Setting and assessing result and competence (behaviour) targets is part of this cycle. Annual appraisals determine employee remuneration levels, ensuring a clear link between performance and remuneration. The uniform process of performance management that applies throughout Rabobank was carried out for the last time in 2016. In 2017, a new process will be kicked off.

External benchmarking

We use external benchmarking to compare the level of remuneration with that of the relevant market. In principle, we aim to set our remuneration on or just shy of the market median for comparable work.

Risk management framework

The risk management framework necessitates a deferral policy for variable remuneration for employees who could have a material impact on the risk profile. So this group, also known as Identified Staff, only receives part of the variable remuneration after a waiting period of at least three years. This also applies for non-Identified Staff eligible for variable remuneration above a certain level. The Executive Board reserves the right to withhold deferred variable remuneration during the deferral period (malus) and/or reclaim it (claw-back), in accordance with legislation and regulations.

Group Remuneration Policy

The principles and guidelines of the Vision on Remuneration are detailed in the GRP. The requirements under external legislation and regulations are also enshrined in this policy, including the Dutch law Wbfo¹, the Regulations on Restrained Remuneration Policies, the Capital Requirements Directive IV (CRD IV) and the Dutch Banking Code.

The GRP is subject to annual review, and applies to the entire Rabobank Group. The boards of the subsidiaries (DLL, Rabo Real Estate Group and Obvion) are responsible for adopting and implementing a remuneration policy in line with the Vision on Remuneration and the GRP.

The GRP complies with Rabobank Group's business strategy, customer focus, core values and desired risk profile. The policy supports solid and effective risk-management processes designed to protect Rabobank's long-term results and bolster its robust capital position, while also raising employees' awareness of risks and discouraging taking undesirable risks (e.g. irresponsible sales practices). 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 Rabobank Group, its clients and other stakeholders.

Variable remuneration

The large majority of Rabobank employees do not receive variable remuneration. Variable income was removed from the CLA and abolished for the Executive Board in 2013, and for other executives in 2014. 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 2016, 5% of total remuneration was variable, which boils down to EUR 210 million for Rabobank Group worldwide.

Our remuneration policy must contribute to management and employees making the right considerations in terms of risks. We have the following risk-controlling measures that apply to employees with variable remuneration:

Capping of variable remuneration

Wherever variable remuneration still applies, a cap has been imposed. In the Netherlands, any variable remuneration must not exceed 20% on average. Outside the Netherlands the maximum is 100%.

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, at least three years, to allow the ex-post test to be performed.

Balanced mix of performance targets

Rabobank's performance objectives do not contain any incentives that might encourage behaviour that is careless or otherwise not in the clients' best interest. Our performance objectives consist of well-balanced financial and non-financial criteria. At least half of the performance objectives must be non-financial.

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 can pay the variable remuneration without causing financial problems.

Ex-post test

Before the bank releases deferred amounts and amounts awarded on a conditional basis, they are tested to see if there is any reason to downgrade the amounts before awarding them unconditionally (malus). This test centres on the question of whether the award of the variable remuneration is, in light of the latest information, still justifiable.

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 engaged in fraudulent conduct.
- The employee has participated in, or been responsible for, conduct that has 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.

¹ Wbfo; Wbfo is an amendment and an addition to the Dutch law Wet op het Financieel Toezicht, Wft.

In addition to these risk-management measures, the following general prohibitions also apply:

- It is not possible to award guaranteed variable remuneration to employees.¹
- Personal hedging strategies are not permitted under any circumstances whatsoever.
- A severance payment must reflect the quality of an employee's performance. Employees will not be rewarded for failure or misconduct.
- In the event that the termination of the employment relationship was initiated by 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

The Executive Board has identified a number of positions as 'Identified Staff'. These are positions that could have a significant impact on Rabobank's risk profile. Over four hundred employees hold such positions 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 include a balanced mix of performance targets, deferred variable remuneration and deferred remuneration notes.

Balanced mix of performance targets

As is the case for all other employees, Identified Staff must have a proper balance of performance objectives. Any variable remuneration is awarded based on a minimum of 50 percent non-financial objectives.

Deferred variable remuneration and Deferred Remuneration Notes

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. This group receives half of the variable remuneration 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 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.

Performance Management

In our view, achieving Rabobank's strategic objectives demands effective management, coaching and feedback for our employees. Performance Management (PM) is an ongoing series of conversations between manager and employee aimed at ensuring employees' contribution to overall business targets, and empowering employees to play an active role in their own development. PM is therefore not just about evaluating past performance, but also about discussing potential for further development.

Customer's interest

In PM, customers' interests come first. Managers and staff reach mutual agreements on the results and competency targets to be achieved, which must contain no incentives that may lead to behaviour that is careless or not in the customer's interest. The targets set constitute a balanced mix of financial and non-financial criteria. Under competencies, 'customer focus' and 'collaboration' are compulsory.

Redesigned process

PM was introduced at the same time with variable income, but the current process and system no longer suit Rabobank's goal of being a high-performance organisation for its customers. The annual objectives were not allowing us to respond quickly enough to the pace of real-world change, and recording all agreements requires a simple system. Therefore, PM was redesigned in 2016.

The new process focuses on employee growth and is based on ongoing dialogue between managers and employees regarding the employees' contribution to the organisation's objectives, their conduct and development. Meaningful conversations between managers and employees and their colleagues help employees become aware of their own and each other's qualities. Feedback forms part of these interviews which are held in a constructive and energising atmosphere, empowering employees and realising the high-performance bank that we aim to be for our customers. Due to the focus on growth – for employees, customers and the bank alike – the name of the new PM is GROW!. It was launched 1 January 2017 and applies to all employees within the bank, in the Netherlands and also the international departments of Wholesale, Rural & Retail.

¹ 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.

Rabobank Supervisory Board

Fee structure

Supervisory Board directors are non-executives and independent of Rabobank. Instead of a salary, they receive a predetermined fee commensurate with their position on one of the various committees, which is determined by our General Members Council. Our Supervisory Board has nine members, one-third of them are women.

Committee memberships are listed on www.rabobank.com.

As of 1 October 2016 the fee structure was adjusted.

Individual payments

Payments to members and former members of the Supervisory Board totalled EUR 1.2 million, including the VAT and employer's contributions. The remuneration for individual members of the Supervisory Board in office on 31 December 2016 (excluding VAT and other charges) was as follows:

Payments to individual members of the Supervisory Board	
<i>in thousands of euros</i>	<i>Remuneration</i>
W. Dekker (in office until 15 September 2016)	242
I.P. Asscher-Vonk	98
L.N. Degle	86
S.L.J. Graafsma	110
E.A.J. van de Merwe (in office until 14 September 2016)	73
R. Teerlink	131
A.A.J.M. Kamp	91
M. Trompetter	104
P.H.J.M. Visée (remunerated as of 14 December 2016)	4
P.H.M. Hofsté (remunerated as of 14 December 2016)	4
J. Nooitgedagt (remunerated as of 14 September 2016)	32
Total 2016	975
Total 2015	1,030

Loans per member of the Supervisory Board

The loans, advances and guarantees secured by members of the Supervisory Board in office on 31 December 2016 and the average interest rates were as follows:

Loans per member of the Supervisory Board		
<i>in millions of euros</i>	<i>Outstanding loans</i>	<i>Average interest rate (in %)</i>
<i>On 31 December 2016</i>		
A.A.J.M. Kamp	0.9	2.6
M. Trompetter	0.4	4.0

Movements in the loans, advances and guarantees provided to members of the Supervisory Board in office on 31 December 2016 were as follows:

Movements in loans, advances and guarantees provided to Supervisory Board		
<i>in millions of euros</i>	<i>2016</i>	<i>2015</i>
<i>Loans, advances and guarantees</i>		
Outstanding on 1 January	1.4	2.6
Provided during the year	-	-
Redeemed during the year	(0.1)	(0.7)
Reduction on account of leaving office	-	(0.9)
Increase on account of taking office	-	0.4
Outstanding on 31 December	1.3	1.4

At year-end 2016, 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 accordance 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 2016 certificates totalled 15,780.

Number of certificates per member of the Supervisory Board	
I.P. Asscher-Vonk	6,894
L.N. Degle	4,836 (pension B.V.)
S.L.J. Graafsma	4,050 (pension B.V.)

Benchmark

We use external benchmarking to compare the Supervisory Board remuneration against remuneration 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 fee structure was adjusted 1 October 2016.

There were no major external shifts which necessitated external benchmarking, but the adjustment was motivated by a number of recent developments. First, the increased external supervision requires greater commitment from the committees' chairpersons. Furthermore, the new governance entails that the supervisory task is fulfilled on behalf of the members, and requires closer contacts with these members. Finally, Rabobank

intends to strengthen the cooperation within the team, which means that the vice chairman will be more closely involved in the chairperson's activities. By increasing the involvement of the team members, allows for a downward adjustment in the chairperson's fee. The General Members Council approved to the adjustment. The new fee structure is more transparent and still within the bandwidth of the external market.

The fee structure as of 1 October 2016 is as follows:

As of 1 October 2016 the fee structure	
<i>in euros</i>	<i>Fee</i>
Member	90,000
Chairman of Audit Committee, Risk Committee, Cooperative Issues Committee, additional	20,000
Chairman of Appointments Committee together with HR Committee, additional	20,000
Vice chairman, additional	30,000
Chairman	220,000

Executive Board

Remuneration package

The primary remuneration package of the members of the Executive Board consists of fixed pay and pension entitlements. In addition, Executive Board members receive a management supplement that serves as a fixed reimbursement of expenses. 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. The scales (including holiday and thirteenth month) as of 31 December 2016 are as follows:

Executive Board salary scales

<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 2016, the maximum income on which Executive Board members may accrue pension was EUR 96,000, which means Executive Board members now receive an individual pension contribution (IPC) of 24% of their fixed annual income above the threshold for pension accrual.

Fringe benefits

Members of the Executive Board are eligible for a package of fringe benefits, such as a car lease arrangement, 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 2016, the remuneration of members and former members of the Executive Board totalled EUR 7.6 million (6.4 million).

Remuneration per member of the Executive Board					
<i>In thousands of euros</i>	<i>Total salaries</i>	<i>Pension contributions</i>	<i>Individual pension contribution</i>	<i>Other</i>	<i>Total</i>
R.J. Dekker	884	25	189	3	1,101
B.J. Marttin	884	25	189	-	1,098
J.L. van Nieuwenhuizen	884	25	189	-	1,098
H. Nagel	884	25	189	-	1,098
W. Draijer	980	25	212	-	1,217
B.C. Brouwers	884	25	189	-	1,098
P.C. van Hoeken	663	19	142	-	824
Total 2016	6,063	169	1,299	3	7,534
Members Executive Board	4,257	128	908	5	5,298
Formers Members Executive Board	884	26	189	1	1,100
Total 2015	5,141	154	1,097	6	6,398

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 for the performance year 2016 (0). There was a total of 486 DRNs outstanding with members and former members of the Executive Board at year-end 2016 (2015: 11,647). 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 2016 and the average interest rates were as follows:

Loans per Executive Board member		
<i>in millions of euros</i>	<i>Outstanding loans</i>	<i>Average interest rate (in %)</i>
<i>On 31 December 2016</i>		
B.C. Brouwers	0.5	2.6
R.J. Dekker	1.0	2.1
B.J. Marttin	0.4	5.8
H. Nagel	1.0	2.2
J.L. van Nieuwenhuizen	1.2	2.0

Movements in the loans, advances and guarantees provided to members of the Executive Board in office on 31 December 2016 were as follows:

Movements in loans, advances and guarantees of members of the Executive Board		
<i>in millions of euros</i>	<i>2016</i>	<i>2015</i>
<i>Loans, advances and guarantees</i>		
Outstanding on 1 January	4.3	4.9
Provided during the year	-	1.2
Redeemed during the year	(0.8)	(1.8)
Reduction on account of leaving office	-	-
Increase on account of taking office	0.6	-
Outstanding on 31 December	4.1	4.3

These transactions have been entered 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

The members of the Executive Board do not have personal investments in Rabobank Certificates and/or via their own pension B.V. (private limited liability company).

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. Because the underlying dynamics of these two markets are extremely different, we decided not to use a single combined group. 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 of comparable size and complexity, which include the following companies: ABN AMRO, AEGON, Ahold, Akzo Nobel, DSM, FrieslandCampina, Heineken, ING Bank, ING Verzekeringen, KPN, Philips, Randstad, SHV Holding and TNT Express.

In 2014 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 our aim to set our remuneration on or just shy of the market median for comparable work. However, in 2016 the Supervisory Board saw no reason in the results of the benchmarking in 2014 to adjust the levels of remuneration of the Executive Board. This decision was based on the fact that the current scale maximums for the Executive Board have not been changed since they were set on the basis of a representative peer group in 2008, and because the Executive Board of Rabobank is since 2013 not eligible for short- or long-term variable remuneration, even though these elements of remuneration are customarily offered in the rest of the market. 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. Like the salaries of other employees of the bank, remuneration for the Executive Board remained unchanged in 2016.

Performance management

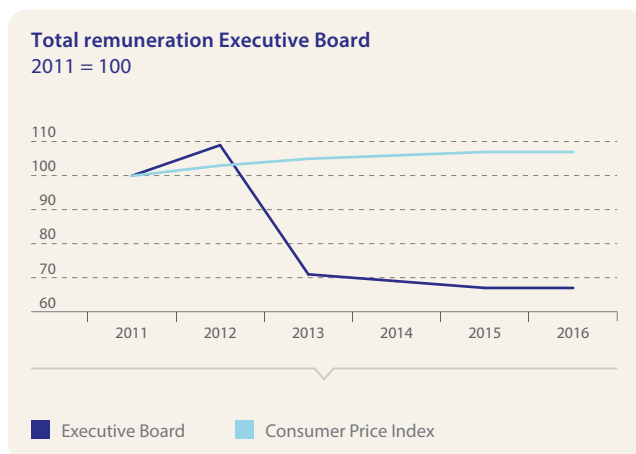
A uniform PM process applies throughout Rabobank; members of the Executive Board (all designated as Identified Staff) are also subject to this process. The Executive Board's performance targets comply with the distribution prescribed for Identified Staff across group targets, business unit targets and individual targets. At least 50% of the performance targets consist of non-financial targets. In 2016, all members of the Executive Board shared joint targets in the following areas:

- Improving customer satisfaction;
- Improving ROIC trend 10%;
- Improving performance (Cost reduction);
- Optimising balance sheet;
- Contributing to successful operation of cooperative governance;
- Ensuring a sound culture and awareness of risk;
- Carrying out items on implementation agenda;
- Helping to make the Executive Board a strong team;
- Improving culture and conduct in line with Rabobank Vision.

The uniform process of PM that applies throughout Rabobank will be carried out for the last time in 2016. In 2017, the new GROW! process will be kicked off.

Development of remuneration package

As previously stated, the salary scales for the members of the Executive Board have not been adjusted for inflation or otherwise increased since 2008. Variable remuneration for the Executive Board was discontinued in 2013.



The chart shows the development of the overall Executive Board remuneration package, including pension (policy levels), over the past six years as indices compared to 2011. The index for 2016 is 67, meaning the overall remuneration package has fallen by 33% in a period of six years, while the consumer price index rose by 7% in that same period. The peak in the graph in 2012 is connected to that year's elimination of the senior management supplement for the Executive Board; a non-recurring compensation was provided in return in 2012. The decrease since 2013 is connected to the discontinuation of the variable pay for the Executive Board. At present, we see no reason to adjust the remuneration of the Executive Board.

Domestic banking: Executives

Executives work directly below the Executive Board. There are five position scales for executives, ranging from Executive Scale I to Executive Scale V. In 2016, more than 240 employees made up the executives team; 10% of these employees are expats working abroad on a Dutch contract. One executive had total remuneration of more than EUR 1 million.

Remuneration package

The primary remuneration package for executives 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.

Fixed income

The Executives Scales are based on the Hay Group's system for evaluating jobs. There are five Executive Scales, each with a scale minimum and maximum and covering a broad salary range (including holiday allowance and 'thirteenth month'), as shown in the table below.

Executive Scales		
<i>in euros</i>	<i>Minimum</i>	<i>Maximum</i>
Senior management	153,700	476,900

Pension

The Rabobank pension scheme applies to the executives. The Rabobank pension scheme qualifies as a collective defined contribution plan. The maximum income for pension accrual was EUR 96,000 as of 1 January 2016. The 'senior management allowance' was discontinued 1 January 2015. Executives at this level have since received an individual pension contribution according to the level of their position.

Fringe benefits

Executives are eligible for a package of fringe benefits, such as a car lease arrangement, in line with market standards.

Management supplement

Executives 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 is that the allowance is based on customary practice for similar positions in the market.

Benchmark

The maximum salaries for executives were determined based on a representative peer group in 2008, which was last subject to market comparison by an external party 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 Executives Scales is well below the median for the Dutch market in general. The Executive Scales are also well below the median compared to the Dutch financial sector, as neither short-term variable remuneration nor long-term variable remuneration – typical remuneration components in the rest of the market – are included in the package. As we aim to set our remuneration on or just shy of the market median for comparable work, the comparison with the external market indicated no reason to adjust the level of remuneration for executives. Rabobank is comfortable with the current salary positions for executives. In 2016, like the salaries of other employees of the bank, remuneration for executives remained unchanged.

Performance management

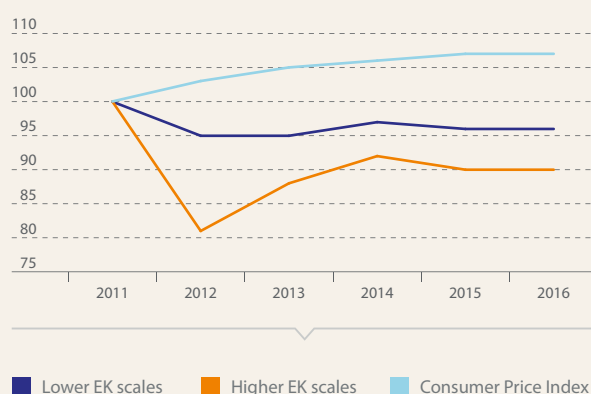
A uniform PM process is in place for all Rabobank employees, including executives. The performance targets of executives who are designated Identified Staff comply with the distribution prescribed for Identified Staff across group targets, business unit targets and individual targets. Executives are assessed on three to six performance targets and three to six competence targets; the competences 'customer focus' and 'cooperation' are mandatory for all employees. Individual pay rises are determined on the basis of having achieved the set targets.

The uniform process of PM that applies throughout Rabobank will be carried out for the last time in 2016. In 2017, the new process will be kicked off: GROW!

Development of remuneration package

The salaries for executives have not been adjusted for inflation or increased in any other way since 2008, and variable pay for executives was discontinued on 1 January 2014. At the same time, the scale maximum was raised by 13%. These changes combined represent a reduction in the remuneration package.

Total remuneration executives
2011 = 100



The chart shows the development of the remuneration package for executives, including pension (policy levels), over the past six years. The index for 2016 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 six years, while the consumer price index increased by 7% in that same period. The sharp fall in incomes from the higher Executives Scales in 2012 is connected to the elimination of variable pay. At present, we see no reason to adjust the remuneration of the executives.

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 staff (Senior Staff A and Senior Staff B) and scales 1 to 11.

Since the CLA 2013-2015, Obvion falls fully within the scope of the Rabobank CLA, including the remuneration package, so the following information about the remuneration package also applies to the subsidiary Obvion.

Remuneration package

The remuneration package for position scales 1 to 11 and Senior Staff A and Senior Staff B consists of fixed income, the employee benefit budget, pension and fringe benefits. 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 minimum and maximum scales can be found in the Rabobank CLA. The median remuneration for Rabobank employees in the Netherlands is EUR 50,838, which gives a ratio in the Dutch banking sector of 1:19.3 between the median remuneration and the employee with the highest earnings. Relative to 2015 the median remuneration rose while the highest remuneration remained unchanged. The reorganisation resulted in a reduction of lower paid employees, leading to an increase of the median remuneration.

Employee benefit budget

Employees receive an employee benefit budget which they can use for certain employment benefits that enhance their personal circumstances and preferences. The employee benefit 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 benefit budget varies per position scale and can be found in the Rabobank CLA.

Pension

The Rabobank CLA pension is a collective defined contribution scheme. The maximum income for pension accrual for full-time employees as of 1 January 2016 was EUR 96,000. Employees with an income higher than EUR 96,000 receive a personal budget.

Fringe benefits

Employees are eligible for a package of fringe benefits, such as a reimbursement for commuting, 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 on or just shy of 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 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 as a result of the baseline applicable since then and the most recent CLA effective until 2019.

Performance management

The uniform process of PM that applies throughout Rabobank will be carried out for the last time in 2016. In 2017, a new process will be kicked off: GROW!

New Rabobank CLA 2017-2020

The new Rabobank CLA, effective for 2017-2020, emphasises the importance of encouraging professional growth and employability. New arrangements have been made to provide employees with conscientious guidance in the event that they have been affected by our transition to becoming a leading customer-focused and social bank.

Certain employment conditions have been amended in different ways, all of which reinforce the middle course we have set for the coming four years. The zero line that has applied to employees subject to the CLA since 2012 will remain in place until 2019. This means that a structural pay rise will only become effective in 2019, with an adjustment of 1%; until then, employees will receive a one-time payment of 1% in 2017 and 2018.

New Rabobank CLA and Redundancy Plan

As of 1 January 2017 the new Collective Labour Agreement (CLA) of Rabobank will be in place.

The Redundancy Plan forms an integral part of the CLA. In the years ahead, many Rabobank employees will lose their jobs. For this reason, parties involved in the process towards the new Rabobank CLA have prioritised agreements concerning the new Redundancy Plan in their negotiations about the new Rabobank CLA.

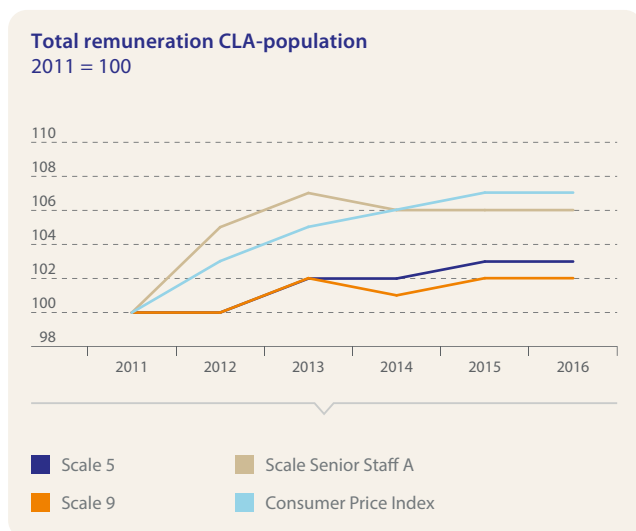
The core of the new plan will continue to focus on finding new work for employees who are made redundant. Agreements have also been made regarding a new severance payment system which, in addition to income security, also gives employees more control and better incentives to search for and accept new work.

The Rabobank CLA also includes agreements regarding the terms and conditions of employment for the next four years, including a modest wage agreement, a new PM system (GROW!) and a development budget.

The new Rabobank CLA 2017-2020 contains a balanced set of agreements, and offers long-term clarity and prospects both for employees who are made redundant, and for those who continue to work for the bank.

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. Variable pay was discontinued in 2013. The new CLA 2017-2020 also means that the current baseline will remain valid until 2019.



This chart shows the development of the total remuneration package (policy levels) of three CLA scales over the past six years as indices compared to 2011. The chart shows that the three CLA scales fall behind, as the consumer price index increased by 7% in that same period. At present, we see no reason to adjust the remuneration of the CLA population.

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 GRP. In 2016, one employee had a total remuneration (including pension contributions) in excess of EUR 1 million.

Remuneration package in the Netherlands

The employees under Dutch contract in the WRR domain fall under the Rabobank CLA. What is described under 'Domestic banking domain: CLA population' thus also applies to this group. A limited number of specialised positions also qualify for variable remuneration. The variable remuneration for this group may never exceed 20% on average. In addition, a salary extension scheme is possible for the most specialised positions within WRR in the Netherlands.

International remuneration package

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 arranging the fixed income and fringe benefits around the median and the variable remuneration just below the market average.

International fixed income

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 Senior Staff A and Senior Staff B. A project was started in 2015 for Wholesale to develop salary structures linked to the position scales 1 to 11 and Senior Staff A and Senior Staff B. The new salary structures have been in place in different regions since the performance year 2015 and were developed for the other regions in 2016 and will be implemented over performance year 2016.

International variable remuneration

Unlike in the Dutch banking business, variable remuneration is still a regular part of the total remuneration package outside of the Netherlands. In Rural & Retail, the variable remuneration is linked to the position (scale) and the performance of the employee, which is measured on the basis of financial and non-financial factors. The maximum achievable percentage of variable remuneration in general equals the position level. This model has been in use for several years.

For the Wholesale domain, the variable remuneration before performance year 2016 is based on a bonus pool, in which the responsible management team awards individual bonuses on a discretionary basis.

In 2015, we kicked off a project to structure variable remuneration in Wholesale. The aim is to bring it in line with that of Rural & Retail where the variable remuneration is linked to the position (scale) and performance of the employee, as well as the performance of the Rabobank Group as a whole and the relevant business. For some regions, this new system has been in place since the 2015 remuneration round. The variable remuneration system for the other regions and for the global business lines was developed and implemented in 2016.

International fringe benefits

The package of fringe benefits varies strongly per country, while the primary remuneration policy (fixed income and variable remuneration) is determined centrally. The package of fringe benefits is chiefly determined locally, because of differences in local laws and regulations as well as market practice.

Benchmark

In principle, benchmarking is conducted 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 WRR 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 how positions are linked to those in the benchmark study, in order to ensure that Rabobank positions are correctly compared with external market positions.

Performance management

Since 2015, Rabobank's banking business has had a single system and process of PM. We also have one IT system in place for logging all the PM agreements. The information provided under 'Domestic banking domain: CLA population' also applies to WRR; the unit's domestic and international business will also be subject to the new PM process GROW!, rolled out worldwide 1 January 2017.

Remuneration policy for other group entities

DLL

DLL has its own remuneration policy that has been implemented worldwide. DLL has around 5,300 employees, 4,000 of which work outside of the Netherlands. In 2016, DLL had one employee whose total remuneration exceeded EUR 1 million.

Remuneration package

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 level of the fixed income, the variable pay and the benefits in the remuneration package are based on the local market of the respective country.

Benchmark

In principle, benchmarking 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, but steps are now being taken to lower this relatively positive position in relation to

the labour market. For this reason, there was no structural pay rise to employees in the Netherlands in 2016, although one-off payments were made. Internationally, we are aiming for a position between the median and the third quartile.

Performance management

DLL uses its own PM system. It focuses on achieving results, bringing the DLL core values into practice and the personal development of employees. This system facilitates the following:

- Regular discussions between manager and employee about employee's performance,
- Employee's personal development,
- Clear mutual expectations (of manager and 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 to agree on the target setting, to discuss progress and to evaluate performance.

Developments in the remuneration package

In 2016, DLL took further steps to moderate variable remuneration:

- Variable remuneration was completely discontinued - domestically and internationally - for the top levels of management;
- In the US, variable remuneration will be capped at 100% as from 2017, as was already the case in other countries.

In North and South America, a system has been introduced geared towards simplifying variable remuneration and applying a bandwidth system. In 2017, we will investigate whether this approach could be implemented in other countries.

DLL has made further progress in managing and monitoring the terms of employment worldwide. A worldwide Compensation & Benefits monitoring plan was established in 2016, which will form the basis of further improvements to the application of the remuneration policy.

Rabo Real Estate Group

Remuneration policy

Rabo Real Estate Group implements its own remuneration policy that meets the requirements of the GRP of Rabobank. Rabo Real Estate Group has a remuneration package consisting of fixed and variable elements, and a pension scheme.

In the Netherlands, in addition to the three members of the Board of Directors, the group employs approximately 30 executives and approximately 670 employees in the CLA population. These two groups each have their own terms of employment.

BPD and Bouwfonds Investment Management employs approximately 650 people outside the Netherlands. Each international division has its own remuneration policy and own PCM system.

Performance management

Rabo Real Estate Group's system of Performance & Competence Management (PCM), with which the group focuses on achieving results and developing employees. This instrument contributes to the following goals:

- Regular discussions between manager and employee about employee's performance,
- Employee's personal development,
- Clear mutual expectations (of manager and employee),
- Direction with regard to the realisation of business goals, and
- Transparency in evaluation.

As part of the annual PCM process, the manager and employee have a number of meetings each year: the target-setting meeting, the progress interview and the evaluation interview.

Specific developments to remuneration policy in reporting year

FGH integration into Rabobank

In the reporting year, Rabo Real Estate Group made agreements with trade unions De Unie and FNV concerning measures it is taking to ensure that FGH Bank is successfully integrated into Rabobank, and that employees who end up moving to Rabobank as a result of the transition are properly compensated. These agreements were set out in an addendum to Rabo Real Estate Group's 2013-15 Social Plan – a part of Rabo Real Estate Group's CLA. A separate implementation agreement was also drawn up, to which Rabobank is also a signatory, in which the bank commits to implementing the provisions of the addendum.

The first wave of FGH staff migration to Rabobank took place on 1 October 2016. The migration is expected to be completed by 1 July 2017.

Rabo Real Estate Group CLA

The CLA of Rabo Real Estate Group is negotiated with the trade unions CNV, FNV and De Unie. The current Rabo Real Estate Group CLA expires on 1 January 2017. In the light of organisational developments, Rabo Real Estate Group decided in September 2016 to terminate the CLA when it expires and to devote attention to developing the most suitable CLA scenario for the future. Parties responsible for the CLA began negotiations in Q4 2016 with the aim of settling a new agreement before 2017.

During the negotiations, the parties exchanged views and sought agreement on the various CLA themes. The consultations focused mainly on their scope, fixed and variable remuneration and the social plan. It appears that the parties' positions are too far apart to be able to finalise a new collective agreement for Rabo Real Estate Group to be reached by 1 January 2017. The uncertainty about future developments in the various divisions also plays a role in this. As the employer expects more clarity in the first half of 2017, the parties decided to suspend discussions until after the summer of 2017.

Supplementary remuneration policy for Bouwfonds Investment Management

Legislation under the Alternative Investment Fund Managers Directive (AIFMD) applies to Bouwfonds IM. This investment management division is not subject to the Dutch law Wbfo¹. Therefore, Rabo Real Estate Group has implemented a remuneration policy specific to Bouwfonds IM (to supplement the CLA and terms of employment that apply to Rabo Real Estate Group as a whole). This supplementary policy complies with AIFMD legislation.

1 Wbfo; 20% bonus cap; Wbfo is an amendment and an addition to the Dutch law Wet op het Financieel Toezicht, Wft

Management

Members of the Executive Board

- Wiebe Draijer, *Chairman*
- Bas Brouwers, *Chief Financial Officer*
- Ralf Dekker, *Chief Operating Officer*
- Petra van Hoeken, *Chief Risk Officer*
- Berry Marttin, *Markets Rural & Retail International*
- Rien Nagel, *Markets Retail Netherlands*
- Jan van Nieuwenhuizen, *Markets Wholesale Netherlands/ International*

Rens Dinkhuijsen, *Company Secretary*

As of 1 January 2016 the position of CFRO was split into the positions of Chief Financial Officer (CFO) and Chief Risk Officer (CRO). Bas Brouwers joined the Executive Board as CFO as of 1 January 2016. Until the appointment of Petra van Hoeken as new CRO on 1 April 2016 Wiebe Draijer held 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 31 December 2016, is given below.

Wiebe Draijer (W.) (Male, 1965, Dutch nationality)

Appointed with effect from 1 October 2014, current appointment term runs until 1 July 2018

Chairman, portfolio:

- Communications & Corporate Affairs
- Human Resources
- Audit Rabobank
- RaboResearch
- Company Secretariat
- Organisational Development & Performance
- Compliance (until 1 October 2016)
- Legal (until 1 October 2016)

Also CRO on interim basis from 1 January 2016 until 1 April 2016, portfolio:

- Risk Management
- Credit Risk Management
- Financial Restructuring & Recovery



Bas Brouwers (B.C.) (Male, 1972, Dutch nationality)

Appointed with effect from 1 January 2016, current appointment term runs until 1 January 2020

CFO, portfolio:

- Group Control
- Control Retail NL
- Control WRR
- Finance & Risk Centre
- Portfolio Management
- Treasury
- Investor Relations & Rating Agencies
- Group Tax

Ralf Dekker (R.J.) (Male, 1957, Dutch nationality)

Appointed with effect from 1 November 2013, current appointment term runs until 1 November 2017

Chief Operating Officer (COO), portfolio:

- Fintech & Innovation
- IT Systems
- IT Infrastructure
- IT Strategy, Data & Architecture
- IT Risk, Reporting & Security
- Operations
- COO WRR

Petra van Hoeken (P.C.) (Female, 1961, Dutch nationality)

Appointed with effect from 1 April 2016, current appointment term runs until 1 April 2020

CRO, portfolio:

- Risk, including:
 - Retail NL
 - WRR
 - IT & Operations
 - Operational Risk
 - Credit Risk Management
 - ALM & Analytics
 - Integrated Risk
 - Financial Restructuring & Recovery
- Compliance, as of 1 October 2016
- Legal, as of 1 October 2016

Berry Marttin (B.J.) (Male, 1965, Dutch and Brazilian nationalities)

Appointed with effect from 1 July 2009, current appointment term runs until 1 July 2017

Portfolio:

- Markets Rural & Retail International including:
 - Global Rural and Retail Banking
 - Australia/New Zealand
 - South America
 - North America
- Sustainability
- Rabo Development
- Rabobank Foundation
- Leasing

Rien Nagel (H.) (Male, 1963, Dutch nationality)

Appointed with effect from 1 November 2013, current appointment term runs until 1 November 2017

Portfolio:

- Cooperative & Governance, including 'kring' directors
- Business, including:
 - Large corporates
 - SME's
 - Food & Agri in the Netherlands
 - Public & Health sector
 - Expertise Centre Real Estate Finance
- Retail & Private Banking, including:
 - Wealth management
 - Mortgages/Real Estate
 - Digital Banking
 - Marketing
 - Insurance

Jan van Nieuwenhuizen (J.L.) (Male, 1961, Dutch nationality)

Appointed with effect from 24 March 2014, current appointment term runs until 24 March 2018

Portfolio:

- Markets Wholesale Netherlands/International, including:
 - Global Wholesale Product Clients
 - Global Corporate Clients
 - Wholesale Netherlands & Africa
 - Europe
 - Asia
- Real Estate

Composition of the Supervisory Board of Rabobank¹

Members of the Supervisory Board (as of 31 December 2016)²

<i>Name</i>	<i>Gender</i>	<i>Year of birth</i>	<i>Nationality</i>	<i>Position</i>	<i>Year of first appointment</i>	<i>Current appointment term expires in</i>
Ron Teerlink (R.)	Male	1961	Dutch	Chairman since 14 September 2016	2013	2017
Marjan Trompetter (M.)	Female	1963	Dutch	Vice-chair	2015	2019
Irene Asscher-Vonk (I.P.)	Female	1944	Dutch	Member	2009	2017
Leo Degle (L.N.)	Male	1948	German	Member	2012	2020
Leo Graafsma (S.L.J.)	Male	1949	Dutch	Member	2010	2018
Petri Hofsté (P.H.M.)	Female	1961	Dutch	Member	2016	2020
Arian Kamp (A.A.J.M.)	Male	1963	Dutch	Member	2014	2018
Jan Nooitgedagt (J.J.)	Male	1953	Dutch	Member	2016	2020
Pascal Visée (P.H.J.M.)	Male	1961	Dutch	Member	2016	2020

On 14 September 2016 Wout Dekker and Erik van de Merwe voluntarily resigned from their respective positions as chairman and member of the Supervisory Board. On the same date Jan Nooitgedagt was appointed and Leo Degle was reappointed by the General Members' Council as members of the Supervisory Board. Pascal Visée was appointed with effect from 14 December 2016, Petri Hofsté with effect from 30 December 2016.

The members of the Supervisory Board committees are listed in the Report of the Rabobank Supervisory Board.

- 1 The Supervisory Board in its current composition meets principle III.2 Independency of the Dutch Corporate Governance Code
- 2 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

Assurance report of the independent auditor

To: the general members' council of Coöperatieve Rabobank U.A.

Assurance report on the Sustainability Statements 2016

Our conclusion

Based on our review, nothing has come to our attention that causes us to believe that the Sustainability Statements included in the Annual Report 2016 of Coöperatieve Rabobank U.A. does not present, in all material respects, a reliable and adequate view of:

- the policy and business operations with regard to sustainability; and
- the events and achievements related thereto for the year ended 31 December 2016;

in accordance with the sustainability reporting Guidelines version G4 of GRI and the internally applied reporting criteria as described in Appendix 1: 'About this report' and Appendix 2: 'Sustainably Successful Together'.

Our opinion

In our opinion, the fourteen sustainability key performance indicators in the tables on the pages 125 - 128 and Appendix 3 on the pages 129 - 134 in the Annual Report 2016, are prepared, in all material respects, in accordance with the sustainability reporting criteria as described in 'Appendix 1: About this report'.

What we are assuring

The Sustainability Information contains a representation of the policy and business operations of the Coöperatieve Rabobank U.A. (hereinafter 'Rabobank' or 'the Bank') and its subsidiaries, regarding sustainability and the events and achievements related thereto for 2016. We have reviewed the Sustainability Statements for the year ended 31 December 2016, as included in the following sections in the Annual Report for the year ended 31 December 2016 (herein: 'Sustainability Statements') of Rabobank:

- Engaging with stakeholders pages 73 - 77
- Working with clients on sustainability risks and opportunities pages 78 - 82

- Stimulating sustainable agriculture pages 83 - 86
- Supporting the vitality of communities pages 87 - 92
- Promoting a circular economy pages 93 - 97
- Developing talent and competencies pages 98 - 101
- Encouraging diversity and equality pages 102 - 103
- Appendix 1: About this report
- Appendix 2: Sustainably Successful Together
- Appendix 4: Dialogue with social welfare organizations and dialogue with clients
- Appendix 5: Global Reporting Initiative

Additionally, we have audited the fourteen sustainability key performance indicators in the tables on the pages 125 - 128 and Appendix 3 on the pages 129 - 134.

The Sustainability Statements contains several links to external sources or websites, which are not part of the Sustainability Statements. Therefore, we do not provide assurance over information outside of the Sustainability Statements.

The basis for our conclusion and opinion

We conducted our assurance engagement in accordance with Dutch law, including Dutch Standard 3810N 'Assurance-opdrachten inzake maatschappelijke verslagen' (Assurance engagements on corporate social responsibility reports). This engagement is aimed to obtain a combination of limited and reasonable assurance. Our responsibilities under this standard are further described in the section 'Our responsibilities for the assurance engagement of the Sustainability Statements' of this Assurance report.

Independence and quality control

We are independent of Rabobank in accordance with the 'Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten' (ViO, the Dutch auditor independence regulations for assurance engagements) and other relevant independence requirements in the Netherlands. Furthermore we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, the Dutch Code of Ethics for Professional Accountants and regulation with respect to Rules of Professional Conduct).

We apply the 'Nadere voorschriften accountantskantoren ter zake van assurance opdrachten' (RA/AA, the Dutch detailed rules for auditing firms on assurance engagements) and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and other applicable legal and regulatory requirements.

We believe that the assurance information we have obtained is sufficient and appropriate to provide a basis for our conclusion and our opinion.

Reporting criteria

Rabobank developed its reporting criteria on the basis of the sustainability reporting criteria as described in Appendix 1: 'About this report' and Appendix 2: 'Sustainably Successful Together' of the Annual Report 2016. The information in the scope of this assurance engagement needs to be read and understood in conjunction with these reporting criteria. The Board of Management is responsible for selecting and applying these reporting criteria. The absence of a significant body of established practice on which to draw, to evaluate and measure non-financial information allows for different, but acceptable, measurement techniques and can affect comparability between entities and over time.

Inherent limitations

The Sustainability Information includes prospective information such as expectations on ambitions, strategy, plans, estimates and risk assessments based on assumptions. Inherently, the actual results are likely to differ from these expectations, due to changes in assumptions. These differences may be material. We do not provide any assurance on the assumptions and achievability of prospective information in the Sustainability Information.

Responsibilities for the Sustainability Statements and the assurance-engagement

Responsibilities of the executive board

The Board of Management of Rabobank is responsible for the preparation of the Sustainability Statements in accordance with the sustainability reporting criteria, as described in Appendix 1: 'About this report' and Appendix 2: 'Sustainably Successful Together' on the pages 125 - 128 of the Annual Report 2016, including the identification of stakeholders and the definition of what is material to these stakeholders. The choices made by the Board of Management regarding the scope of the Sustainability

Statements and the reporting policy are summarized in Appendix 1: 'About this report' and Appendix 2: 'Sustainably Successful Together' on the pages 125 - 128 of the Annual Report 2016. The Board of Management is responsible for determining that the applicable reporting criteria are acceptable in the circumstances.

The Board of Management is also responsible for such internal control as it determines is necessary to enable the preparation of the Sustainability Statements that is free from material misstatement, whether due to fraud or error.

Our responsibilities for the assurance engagement on the Sustainability Statements

Our responsibility is to plan and perform the assurance engagement to obtain sufficient and appropriate assurance information to provide a basis for our conclusion and our opinion.

A review engagement is aimed at obtaining limited assurance. In obtaining a limited level of assurance, the performed procedures are aimed at determining the plausibility of information and are less extensive than those aimed at obtaining reasonable assurance in an audit engagement. The performed procedures in this context consisted mainly of gathering information from the Bank's employees and applying analytical procedures set out in relation to the information included in the Sustainability Statements. The assurance obtained in review engagements aimed at obtaining limited assurance is therefore significantly lower than the assurance obtained in audit engagements aimed at obtaining reasonable assurance.

Our audit of the information presented in the fourteen sustainability key performance indicators in the tables on the pages 125 - 128 and Appendix 3 on the pages 129 - 134 in the Annual Report 2016 has been performed with a high, but not absolute, level of assurance, which means we may not have detected all material errors or fraud.

Misstatements may arise due to fraud or error and are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of the Sustainability Statements. The materiality criteria used affects the nature, timing and extent of our review and audit, as well as the evaluation of the effect of identified misstatements on our conclusion and our opinion.

Procedures performed

We have exercised professional judgement and have maintained professional scepticism throughout the assurance engagement, in accordance with the Dutch Standard 3810N, ethical requirements and independence requirements.

Our main review procedures included:

- Performing an external environment analysis and obtaining insight into relevant social themes and issues, and the characteristics of the organization;
- Evaluating the appropriateness of the reporting policy and its consistent application, including the evaluation of the results of the stakeholders' dialog and the reasonableness of management's estimates.
- Evaluating the design and implementation of the reporting systems and processes related to the Sustainability Statements in the Annual Report 2016;
- Interviewing management and relevant staff at corporate and branch level responsible for the sustainability strategy and policies;
- Interviewing relevant staff responsible for providing sustainability information, carrying out internal control procedures on the data and consolidating the data included the Sustainability Statements.
- An analytical review of the data and trends submitted for consolidation at corporate level.
- Joining the internal audit department in meetings with the business and other locations;
- Reviewing internal and external documentation to determine whether the sustainability information, including the disclosure, presentation and assertions made in the Sustainability Statements is substantiated adequately;
- Assessing the consistency of the Sustainability Statements and the information included in the Annual Report 2016 which is not in scope for this assurance report;
- Assessing whether the Sustainability Statements have been prepared in accordance with the sustainability reporting Guidelines version G4 of GRI and the internally applied reporting criteria as described in Appendix 1: 'About this report' and Appendix 2: 'Sustainably Successful Together';
- Reviewing the relevant work of the Internal Audit function; and
- Discussing our observations with management.

In addition to the procedures mentioned above, we performed the following audit procedures on the fourteen sustainability key performance indicators in the tables on the pages 125 - 128 and Appendix 3 on the pages 129 - 134, included amongst others:

- Identifying and assessing the risks of material misstatement of the Sustainability 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 one resulting from errors, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Evaluating the design and implementation of the reporting systems and processes related to the sustainability information;
- Evaluating the overall presentation, structure and content of the Sustainability Statements, including the disclosures;
- Testing relevant data and internal and external documentation, on a sample basis, to determine the reliability of the information in the information in the Sustainability Statements;
- Attending a number of local Rabobanks of Rabobank in order to evaluate the reliability and accuracy of the source information provided by the local Rabobanks to Rabobank.

Amsterdam, 8 March 2017

PricewaterhouseCoopers Accountants N.V.

Original has been signed by P.J. van Mierlo RA

Executive Board responsibility statement

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

- the 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 and its affiliated entities whose information is included in its financial statements;
- the management report describes the principal risks that Rabobank faces.

W. Draijer, *Chairman*

B.C. Brouwers, *CFO*

R.J. Dekker, *COO*

P.C. van Hoeken, *CRO*

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

H. Nagel, *CCO NL*

J.L. van Nieuwenhuizen, *Wholesale*

Utrecht, 8 March 2017

Appendices

Appendix 1 About this report

The Rabobank Annual Report 2016 is prepared in accordance with the Comprehensive option of the fourth generation of the Global Reporting Initiative guidelines (GRI G4). The GRI G4 Index is presented in Appendix 5. The Integrated Reporting Framework of the IIRC (International Integrated Reporting Council) served as a foundation in the preparation of the content and outline of our management report.

Scope and boundaries

The Rabobank Annual Report 2016 relates to the reporting period 1 January 2016 to 31 December 2016 and was published on 21 March 2017 on Rabobank's corporate website. The materiality analysis ensures that we cover all material economic, social and environmental topics within our Annual Report. The information in this report relates to Rabobank Group as a whole; we consolidated data for all Rabobank's entities and divisions. We have chosen not to include any data from outside Rabobank, since we believe we have the greatest direct impact through our own operations. For more information on our value chain visions, please refer to the

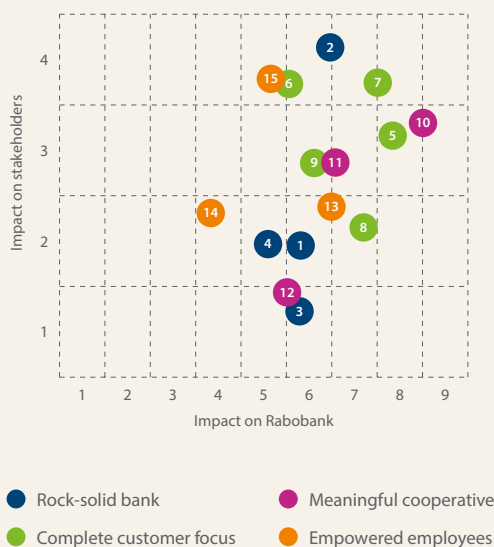
chapter 'Stimulating sustainable agriculture'. Rabobank includes the data of newly acquired businesses as of the year following the acquisition. Rabobank no longer reports on divested units from the time of divestment. The Rabobank Annual Report 2016 aims to provide a complete, concise and accurate view of our performance. When the reporting is limited to a selection of the group divisions within or outside of the Netherlands, or when a less comprehensive view is being presented, this is indicated explicitly in the relevant report topic.

Materiality

Determining the topics for this year's report began with an analysis of the material themes identified in 2015. We first evaluated the relevance of each topic by checking with internal experts to ensure alignment with the current strategic approach. We defined a list of 15 topics on the basis of this evaluation. A materiality matrix was used to determine the relevance of topics for both Rabobank and our stakeholders. As such, the impact of each topic on Rabobank was determined based on Rabobank's strategic documents and validated by the Executive Board. The impact of each topic on stakeholders was validated by a thorough process of desk research, including minutes from our stakeholder dialogues held throughout the year. The results of the 2015 and 2016 analyses were averaged to reflect all stakeholders' interests over the longer term.

The table below provides insight into how each topic is tied to the strategic pillars of Rabobank's Strategic Framework 2016-2020. It also includes references to the relevant page numbers within the report where we describe the management approach and performance per topic.

Rabobank materiality analysis
Situation on 31 December 2016



<i>Strategic pillar</i>	<i>No</i>	<i>Material topic</i>	<i>Reference</i>
Rock-solid bank	1	Improving performance	Page 19
Rock-solid bank	2	Strengthening capital ratios	Page 50
Rock-solid bank	3	A more flexible balance sheet	Page 54
Rock-solid bank	4	Balancing risks and returns	Page 56
Complete customer focus	5	Restoring trust	Page 61
Complete customer focus	6	Increasing transparency	Page 66
Complete customer focus	7	Digitalising services	Page 69
Complete customer focus	8	Engaging with stakeholders	Page 73
Meaningful cooperative	9	Working with clients on sustainability risks and returns	Page 78
Meaningful cooperative	10	Stimulating sustainable agriculture	Page 83
Meaningful cooperative	11	Supporting the vitality of communities	Page 87
Meaningful cooperative	12	Promoting a circular economy	Page 93
Empowered employees	13	Developing talent and competences	Page 98
Empowered employees	14	Encouraging diversity and equality	Page 102
Empowered employees	15	Responsible remuneration	Page 104

Data collection of sustainability information

The financial information of Rabobank has been prepared in accordance with International Financial Reporting Standards (IFRS), for which we refer to the Financial Statements. The collection of sustainability information is coordinated centrally within Rabobank Group. The Sustainability department is responsible for data collection, in cooperation with Finance & Control. The sustainability data of Rabobank Group divisions and local Rabobanks is obtained via Rabobank's automated central management information system. Data which is not recorded in the central system is collected via qualitative and quantitative questionnaires which are based on internal business principles, policies and external guidelines which are approved by Rabobank Group.

The sustainability coordinator of the respective Group division/ local Rabobank is responsible for collecting and reporting the sustainability data. Finance & Control and the Sustainability department perform plausibility checks after submission, whereafter appropriate actions are taken in order to optimise the data quality.

The data with regard to Rabobank's internal business operations is mostly based on Rabobank's automated central management information system and on invoices from our providers. Reliable sources and established protocols are used for conversion factors. The climate footprint is calculated according to the most recent directives of the Greenhouse Gas Protocol (GHG) and the associated CO₂ 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 2015 to 30 September 2016.

Preparation of the Annual Report

Rabobank has organised the process for producing its Annual Report and Interim Report as follows: at the behest of the Executive Board an Annual Report Steering Group was set up, from which an Annual Report Working Group was created. The following disciplines are represented in both the Steering Group and the Working Group: Executive Board Secretariat, Finance & Control, Investor Relations & Rating Agencies, Sustainability, Integrated Risk Management, Audit, and Communications and Corporate Affairs. The Annual Report Steering Group agrees on the different tasks, roles and responsibilities relating to the production of the Annual Report and Interim Report.

Before work started on gathering information and writing the Annual Report, the chair of the Annual Report Steering Group and the Executive Board decided on the structure and key messages of the report. The Working Group then translated these guidelines into drafts, which were subsequently reviewed by a committee of members from the Working Group, Steering Group and other key employees. The draft texts of the Annual and Interim reports are discussed twice in the respective meetings of the Executive Board, the Supervisory Board and the Audit Committee.

Assurance

We believe that reliability of the information included in this report is crucial for us and for our stakeholders. For that reason, assurance is provided for the Rabobank Annual Report 2016 by PwC (the texts on our external website are outside of the scope of assurance). For more information on PwC assurance, we refer to the Independent Auditor's Report.

Appendices

Appendix 2 Sustainably Successful Together

With the SST memorandum in 2014, Rabobank established its commitment to integrating sustainability into all relevant policy processes, products and services. The progress of the implementation of the memorandum is a recurring topic for the Executive Board, the Supervisory Board, in the annual plans of our divisions, internal and external reporting and performance management. The objectives which are translated to Rabobank Group are a fully integrated part of the management cycle. Responsibility for sustainability within the Executive Board lies with Mr. Berry Marttin. During the reporting year, members of the Supervisory Board met to discuss various issues related to sustainability as well as the implementation of the SST strategy.

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

In 2016, Rabobank Group divisions began or continued to draw up plans and implement activities that contribute to the goals of the SST memorandum. Progress is reported to the Executive Board and the Cooperative Issues Committee (CIC). Divisions such as Wholesale and Retail Customers & Private Banking have made good progress by rolling out specific products such as a Sustainability Bond and the green mortgage.

The sustainability ambitions of Rabobank are captured in 14 KPIs. These ambitions are fully embedded in our strategy and each KPI is managed, monitored and reported as part of our daily business operations.

In addition, central cooperative projects such as the client photo were extended in 2016 to Wholesale Clients. Local Rabobanks have also organised their own activities, such as Smart Renovation markets, where customers who are homeowners had the opportunity to meet corporate clients from the sector who offer energy-saving solutions. Based on the current sustainability performances outlined in this report, we are satisfied with the progress of the implementation of our 2020 ambitions. But more attention is needed to ensure progress is made within all entities at the desired speed. Also, some activities can change over time, leading to different

results, as, for instance, in the case of KPI 14, the employee survey which measured new items this year with respect to 2015.

One challenge Rabobank has faced in 2016 with regard to its sustainability ambitions was the regrettable fact of the departure of many colleagues from Rabobank due to the bank's restructuring. This also meant that we could no longer rely on the involvement of certain employees who had previously been active in this area. Updating of entity plans for 2017 will mitigate this side effect of reorganisation.

In 2016, we also invested in preparatory work for further integration of sustainability into our reporting standards and systems and the enhancement of data quality. This includes a modernised digital reporting system for sustainability topics. These efforts will start to bear fruit in 2017.

The sustainability department oversees the progress on the sustainability KPIs and also 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. Rabobank strives to ensure continuous improvement in its sustainability performance and communicates transparently on related activities.

We measure our progress in achieving our ambitions of sustainable development by 2020 with KPIs. In the SST memorandum, we define 14 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. Progress on these KPIs is measured with information obtained from both inside and outside the organisation. Each KPI is managed, monitored and reported as part of our daily business operations. A number of KPIs have an absolute target. Others, especially the results of customer and employee surveys, are relative targets.

Vital communities				
	2016	2015	2014	2020 target
KPI 1: Community not-for-profit investments				
Percentage of profit added to community not-for-profit investments	3.6%	2.8%	3.5%	3%
KPI 2: New collective local community initiatives				
Number supported by local Rabobanks in the Netherlands cumulative	103	n/a	n/a	500
Number supported by Rabobank Foundation	278	230	n/a	500 ¹

Sustainable agriculture				
	2016	2015	2014	2020 target
KPI 3: Our vision of agribusiness value chains				
Number of published value chain visions	2	0	0	10
Number of roundtables or similar initiatives in which we participate	9	9	8	10
KPI 4: Making the agribusiness value chains sustainable				
Number of events/podiums organised by Rabobank aimed at improving sustainability in agribusiness value chains in the Netherlands	4	n/a	n/a	-
Number of events/podiums organised by Rabobank aimed at improving sustainability in agribusiness value chains abroad	14	n/a	n/a	-

Business clients				
	2016	2015	2014	2020 target
KPI 5: Sustainable Trendsetters				
Total sustainable financing (in EUR millions)	18,791	19,240	19,501	Doubling of services
Total sustainable funding (in EUR millions)	2,485	2,122	2,364	
Volume of financial transactions supervised by Rabobank (in EUR millions)	5,250	6,322	2,393	
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=1,998)	14%	11%	n/a	Annual growth
Companies with more than EUR 1 million in turnover (n=3,001)	15%	n/a	n/a	Annual growth
KPI 7: Customers with a sustainability photo				
Number and percentage of assessed customers from local Rabobanks		14,502	99%	100%
Number and percentage of assessed customers from wholesale offices		1,533	85%	100%

Retail customers				
	2016	2015	2014	2020 target
KPI 8: Satisfied retail and private banking customers				
Customer satisfaction with the good fit of financial advice of Rabobank and personal wishes	55%	52%	n/a	Annual growth
KPI 9: Satisfied customers from vulnerable groups				
Customer satisfaction with the ease and problem-free handling of banking affairs at Rabobank	72%	73%	n/a	Annual growth
KPI 10: Retail and private banking customers satisfied with sustainability interview				
Customer satisfaction with how the subject of sustainability is discussed	89%	88%	n/a	Annual growth

Our commitment				
	2016	2015	2014	2020 target
KPI 11: Carbon footprint				
CO ₂ emissions per FTE	3.7	3.5	3.6	3.2
KPI 12: Associations of the Dutch public				
% of Dutch public with positive associations of Rabobank with sustainability	44%	42%	n/a	80%
KPI 13: Sustainability in recruitment and selection process				
Number of specific sustainability training courses	5	n/a	n/a	
KPI 14: Results of employee survey 'Customer cooperation' and 'Cooperative characteristics'				
When making decisions, I assess the impact on Rabobank's clients and Rabobank	90%	n/a	n/a	Annual growth
Rabobank solicits feedback from its clients to improve its ability to meet client needs	78%	n/a	n/a	Annual growth
Rabobank has developed high levels of client loyalty	62%	n/a	n/a	Annual growth
Rabobank invests significant resources to build and maintain strong relationships with the community	80%	n/a	n/a	Annual growth
In its policies, Rabobank is mindful of the impact these policies will have on society	67%	n/a	n/a	Annual growth
Rabobank invests in relationships with government, regulatory and consumer groups	73%	n/a	n/a	Annual growth

¹ The target of 500 includes initiatives from both Rabobank Foundation and Rabobank Development.

The table below serves to clarify the methodology and definitions used to measure and report the progress on each KPI.

Vital communities	
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 through the Rabobank Group and the Rabobank Foundation
Methodology	We measure and report the financial donations by Rabobank entities and loans by Rabobank Foundation. The total of financial donations is reported as a percentage of net profit on group level. The main component of the total amount is the amount of donations by local Rabobanks. Manpower and knowledge invested in local communities are measured as well but not included in the KPI report because the data has been captured in such a way that it is difficult to verify and consolidate into a group-wide number.
Terminology	Cooperative dividend – the part of the profit that is reinvested back into the community Community funds are funds created by Rabobank entities for funding activities that create a positive social contribution to society
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.
Methodology	Currently we measure and report the number of new collective local community initiatives that have been supported by financing, time investment or knowledge by local Rabobanks in the Netherlands and through the Rabobank Foundation. In 2017 we will start to measure the number of new collective local community initiatives supported through Rabo Development. The data is reported on an annual basis, evaluated and aggregated to group level.
Terminology	Collective local community initiatives are measured and reported based on five criteria: a) the initiative is supported by Rabobank with networking knowledge or financial solutions; b) the initiative is founded by citizens and/or companies to achieve a local impact; c) the initiative is dedicated to achieving a positive social and/or environmental impact; d) the initiative has a solid economic base e) the initiative is founded on a formal legal structure (or is in its start-up phase), such as (but not restricted to) a cooperative structure.
Sustainable agriculture and food supply	
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 roundtables 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.
Methodology	We measure and report the number of supply chain visions and/or position papers for each selected value chain. We publish these papers on our corporate website and share this knowledge with our customers. Position papers are updated regularly.
Terminology	Our visions on agricultural chains which we define contain Rabobank's forward looking perspectives and criteria, how to improve and accelerate sustainability with clear steps on the most important sustainability themes in a specific value chain. Further it contains how Rabobank seeks to contribute to these ambitions. Visions are being developed since 2016 as part of our Sustainably Successful Together ambition – our contribution to sustainable development until 2020. Previously Rabobank had published positioning papers on agricultural supply chains. These positioning papers contain our policies and expectations on specific value chains. These have been incorporated in our Sustainability Policy Framework, available on rabobank.com .
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.
Methodology	In 2016 we changed the methodology for measuring this KPI. In 2015 we reported the number of initiatives by local Rabobanks aimed at increasing sustainability of agricultural value chains and the number of customers local Rabobanks were talking to about making food & agri value chains more sustainable. As of 2016 we report the number of events/podiums organised by Rabobank worldwide aimed at improving sustainability in agricultural value chains.
Terminology	Agricultural value chains are referring to well-functioning and sustainable food chains starting with farmers and aimed at providing sufficient and high-quality food for everyone. More detail on this topic can be found in our Banking for Food policy. See : https://www.rabobank.com/en/about-rabobank/food-agribusiness/vision-banking-for-food/index.html
Corporate Clients	
KPI 5	Rabobank gives priority to sustainability leaders in financing and will double the volume of the services provided to them.
Methodology	We measure and report the total of sustainable finance, sustainable funding and other sustainable services worldwide. Giving priority to sustainable leaders is a rule of conduct which is not measured in a reporting value. We aim to double the volume of sustainable loans.
Terminology	Total Sustainable financing is based on sustainable sectors, asset classes or certified companies including green assets (also related to our Green and Sustainable bond framework and included verifiable criteria). Sustainable funding includes Rabo Green Bonds issued by Rabobank, Rabo Green Savings and Rabo Green Deposits issued by the Rabo Groenbank and Rabo Socially Responsible Deposits. Transaction volume of other services include financial transactions supervised by Rabobank (Including Green Bonds, IPOs and M&A transactions).
KPI 6	The percentage of corporate clients indicating they were satisfied with how sustainability was discussed in client meetings increases annually.
Methodology	We measure and report the progress of this KPI based on internal annual client satisfactory surveys. These surveys are designed to collect information about the services provided by Rabobank and the perception and appreciation by the client in the Netherlands. Each local Rabobank can decide to participate or not in the survey. The survey includes a variety of different aspects, sustainability is one of these aspects. The percentage is based on the number of clients who are 'quite satisfied' and 'reasonable satisfied'.
Terminology	Sustainability in client meetings means that we enter into active dialogue with clients about making their business processes and living and working environment more sustainable.
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.
Methodology	We first implemented the client photo in 2015 in the Netherlands and expanded the client to our international wholesale clients in 2016. We started with clients with an exposure > EUR 1 million, during 2016 we also started to apply the client photo for clients with an exposure below the Eur 1 million threshold. In the Annual Report we include a table that shows the number of client photos and exposure (> EUR 1 million) for each client photo category. We also included a section that shows the total number of client photos of local Rabobanks in the Netherlands.
Terminology	The client photo measures the sustainability performance of our clients. We have defined 5 performance level categories (a, b, c, d+ and d). In the Annual Report a definition of the categories is included.

Retail Customers	
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.
Methodology	We measure and report the progress of this KPI based on external annual client satisfactory surveys. These surveys are designed to collect information about the services provided by Rabobank and the perception and appreciation by the client in the Netherlands. The survey includes a variety of different aspects, sustainability is one of these aspects. The percentage is based on the number of clients who are 'quite satisfied' and 'reasonable satisfied'.
Terminology	Matching the customer's finance to their sustainability ambitions means that Rabobank gives the customer advice on how financial affairs can be best suited the wishes of the customer and the products Rabobank advises fit these personal wishes.
KPI 9	By 2020, more than 80% of clients from vulnerable populations will find that Rabobank does a good job managing their banking business.
Methodology	We measure and report the progress of this KPI based on external annual client satisfactory surveys for the group of vulnerable people. These surveys are designed to collect information about the services provided by Rabobank and the perception and appreciation by the client in the Netherlands. The survey includes a variety of different aspects, sustainability is one of these aspects.
Terminology	A large group of vulnerable people – senior citizens, people with low levels of literacy and those with learning difficulties – are finding it increasingly difficult to do their banking independently. The fact that banking services are becoming more and more digitalised is leaving some people behind. Rabobank is keen to remedy this situation because it's important to us that all our customers can continue to use our services. Doing a good job is based on the number of clients who are 'quite satisfied' and 'reasonable satisfied'.
KPI 10	The percentage of retail customers reporting that they were satisfied with how sustainability was discussed in the client meeting increases annually.
Methodology	We measure and report the progress of this KPI based on external annual client satisfactory surveys. These surveys are designed to collect information about the services provided by Rabobank and the perception and appreciation by the client. The survey includes a variety of different aspects, sustainability is one of these aspects.
Terminology	Satisfied customers are represented by the percentage of clients who are 'quite satisfied' and 'reasonable satisfied'.

Our commitment	
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.
Methodology	The climate footprint is calculated according to the most recent directives of the Greenhouse Gas Protocol (GHG) and the associated CO ₂ conversion factors originate from, amongst 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 2015 to 30 September 2016.
Terminology	Increasing energy efficiency means that are committed to reduce our energy consumption as much as possible, for example by facilitating teleworking in order to reduce employee travel time. Rabobank is also as sustainable as possible in its purchasing policies, attempting to use renewable raw materials and contracts based on circular economic principles wherever we can.
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.
Methodology	We measure the perception of the Dutch public in close cooperation with external research organisations, among others, the Social Image Monitor – an initiative of the Hope & Glory agency which performs the research in cooperation with Motivaction.
Terminology	We defined four subgoals related to 'sustainable agriculture and food supply' and 'vital communities': 1 stimulating the sustainability of agriculture and food supply in the world, 2 helping food & agri companies that are customers of Rabobank be economically successful, 3 supporting local and social initiatives with manpower, knowledge and money, and 4 supporting farmers and small businesses in developing countries.
KPI 13	Cooperative and sustainable banking forms an integral part of recruitment and selection and the training programmes for all employees.
Methodology	The number of specific sustainability trainings available (non-mandatory) is reported. This represents the trainings coordinated by the central sustainability department. There is no data available yet related to sustainability in the recruitment and selection processes.
Terminology	To integrate sustainability into the heart of the organisation we are committed to explicitly address the topic of sustainability in our recruitment, selection as well training processes.
KPI 14	We aim to increase our organisation's score on the criteria 'customer cooperation' and 'cooperative characteristics' in the employee survey each year.
Methodology	We measure and report the perception of employees using an annual employee survey. The survey includes a list of statements. These are in alignment with the Sustainability Programme SST, Sustainably Successful Together. The score is based on the % of employees who 'agree' or 'strongly agree'
Terminology	Customer Focus' aspects - Rabobank has developed high levels of client loyalty - Rabobank effectively manages external business relationships with clients, partners, and stakeholders - Rabobank identifies and targets specific groups of clients with tailored offerings - Rabobank solicits feedback from its clients to improve its ability to meet customer needs - Managers communicate that products and services offered need to be in long term client interests - When making decisions, I assess the impact on Rabobank's clients and Rabobank - We make sure our systems and processes are client oriented 'Meaningfull cooperation' aspects - Rabobank maintains a network of external business partners - Rabobank works with external partners to help them perform well - Rabobank invests significant resources to build and maintain strong relationships with the community - Rabobank invests in relationships with government, regulatory, and consumer groups - It is always possible to combine our cooperative identity with our processes and procedures - In all its policies, Rabobank is mindful of the impact these policies will have on society - It is clear how the Banking for Food and Banking for the Netherlands objectives are translated into goals and milestones - Management encourages different part of Rabobank to work together to make improvements - Rabobank holds events to share knowledge and ideas across the organisation - Leaders in Rabobank (including my manager) create a sense of teamwork and mutual support throughout Rabobank

Appendices

Appendix 3 Sustainability Facts & Figures

Finance Overview with a societal character or a positive societal impact

<i>in millions of euros</i>	2016	2015	2014	2013	2012
Corporate Customers					
Sustainable finance					
Green loans	1,613	1,509	1,574	1,826	1,987
Sustainable project finance (excluding green loans)*	3,301	3,374	2,444	2,621	2,291
Loan with agriculture guarantee fund BF/BF+	261	255	294	300	333
DLL Clean tech financing	303	243	no comparative figures		
Financing for sustainable technology and energy companies	349	278	192	166	no comparative figures
Financing for environmental and recycling companies	623	517	533	574	
Financing for companies with a sustainability label	7,589	8,867	9,831	9,454	
Subtotal	14,039	15,044	14,868	14,941	4,611
Access to finance					
Rabo Stimulus Capital	176	222	280	328	389
Loans with a State guarantee (under BMKB)	1,176	1,069	1,075	1,126	1,179
Loans with Go facility	269	251	268	330	312
Growth Facility Scheme (Rabo Capital Injection Loan)	21	31	36	35	45
Microcredit and first-time credit for SMEs in the Netherlands	0	0	0	1	1
Subtotal	1,642	1,573	1,659	1,820	1,926
Community services					
Financing for businesses in the education sector and research and development	577	658	617	644	no comparative figures
Financing for social and ethical organisations	573	516	663	593	
Financing for cultural organisations	130	114	117	179	
Financing for organisations caring for vulnerable groups and sheltered employment	1,830	1,335	1,575	738	
Subtotal	3,110	2,623	2,973	2,155	
Total sustainable finance	18,791	19,240	19,510	18,926	6,547
In % of total credit and loan portfolio private customers	4.43%	4.52%	5.09%	4.90%	2.00%

An overview of the labels can be found on the corporate website.

* The total amount of sustainable project finance in 2015 is adjusted downwards to reflect the correct yearend position of the portfolio.

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 share responsibility with the central sustainability department 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 to 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.

We conduct a Social and Environmental Assessment for each proposed project. The terminology to categorise the projects is based on the International Finance Corporation's categorisation process, and classifies projects into high, medium and low, in terms of environmental and social risk.

The categories are:

- Category A – Projects with potentially significant adverse social or environmental impacts which are either diverse, irreversible or unprecedented;
- Category B – Projects with potentially limited adverse social or environmental impacts which are few in number, generally site-specific, largely reversible and readily addressed through mitigation measures;
- Category C – Projects with minimal or no social or environmental impacts.

The total number of project loans granted in 2016 was 30.

The distribution is as follows:

Distribution of project loans

Sector	Category A	Category B	Category C
Mining	-	-	-
Infrastructure	-	-	-
Oil & Gas	-	-	-
Power	-	30	-
Others	-	-	-
Region			
Americas	-	24	-
Europe, Middle East & Africa	-	6	-
Asia Pacific	-	-	-
Country Designation			
Designated	-	30	-
Non-Designated	-	-	-
Independent Review			
Yes	-	30	-
No	-	-	-
Totals	-	30	-

Project names

Cloosh Valley Wind Farm
Sandstone Solar
Mojave West
Adera Solar
Citizen Solar
Electra wind project
Broadview wind project
Western Antelope Blue Sky Ranch B
Summer Solar Project
North Lancaster Ranch
Elevation Solar C
Central Antelope Dry Ranch B
Antelope Big Sky Ranch
Solverde 1
Western Antelope Dry Ranch
Antelope DSR 1
Antelope DSR 2
Merkur
Zulu
Beacon 1
Beacon 3
Beacon 4
Bethel Wind Farm
Deerfield Wind Project
Fluvanna Wind Energy
Norther
Pears
Rentel
Project Company BuildCo Phase II
SolaireHolman 1

Overview total sustainable assets under management for customers, sustainable funding and other transaction volumes

Total sustainable assets under management for customers and sustainable funding					
<i>in millions of euros</i>	2016	2015	2014	2013	2012
Sustainable assets under management and assets in custody and sustainable funding					
Sustainable assets under management and assets in custody					
Private Banking ¹	3,073	1,915	1,258	735	358
Real Estate	370	410	381	286	211
International ²	392	518	462	718	395
Total sustainable assets under management and assets in custody	3,835	2,843	2,101	1,739	963
Sustainable Funding					
Rabo Green Bonds	500	23	24	258	1,487
Rabo Green Savings	1,867	1,957	2,093	2,140	1,222
Rabo Green Deposits	18	31	31	32	
Rabo Socially Responsible Deposits	100	111	216	100	
Total Sustainable Funding	2,485	2,122	2,364	2,870	2,788
Total Sustainable assets under management and assets in custody including sustainable funding	6,320	4,965	4,465	4,609	3,751
Transaction volume of other services in millions of euros					
Financial transactions supervised by Rabobank (Including Green Bonds, IPOs and M&A transactions)	5,250	6,313	2,383	883	196
Fund management					
Public Fund Management Netherlands assets	0	0	3,117	3,018	2,945

Greenhouse gas emissions and climate footprint (in tonnes of CO₂)				
<i>Emission source</i>	2016	2015	2014	2013
Scope 1				
Use of natural gas	12,269	13,998	18,398	11,696
Use of other fuels	48	62	91	76
Use of air conditioning	2,218	2,419	1,743	1,845
Lease mileage driven	33,944	36,484	39,679	43,888
Scope 2				
Use of electricity	108,679	102,128	110,582	121,926
Use of heat	1,951	1,803	2,042	2,987
Scope 3				
Business car mileage driven	5,092	5,378	5,918	6,496
Business air mileage	15,223	18,873	18,725	18,193
Use of paper	837	922	1,097	1,344
Climate footprint, total CO ₂ emissions	180,263	182,067	198,275	208,451
Climate footprint per FTE: CO ₂ emissions per FTE	3.7	3.5	3.6	3.5
Use of electricity in accordance with market-based calculation method	29,072	26,066	29,611	32,428
Climate footprint in accordance with market-based calculation method	100,655	106,004	117,304	118,953
Climate footprint per FTE in accordance with market-based calculation method	2.1	2.0	2.1	2.0

1 The funds in this category have been selected on the basis of ESG (Environmental, Social and Governance) criteria as used by Morningstar.

2 This figure refers to funds from Asset Managers who are signatory to the UN PRI.

Energy usage Rabobank Group by source and activity

	Change in % compared to 2015	2016	2015	2014	2013	Unit
Energy	-3%	1,100	1,134	1,264	1,518	Terajoules
Total electricity	-0%	820	823	892	990	Terajoules
- Green electricity	-3%	629	652	694	769	Terajoules
- Grey electricity	11%	190	171	198	221	Terajoules
Total gas	-12%	240	274	330	417	Terajoules
- Green gas	26%	37	29	14	307	Terajoules
- Grey gas	-17%	203	244	316	110	Terajoules
District heating	8%	40	37	42	110	Terajoules
Electricity per FTE	9%	4,717	4,343	4,456	4,677	kWh/FTE
Netherlands green electricity	-8%	88%	95%	93%	98%	percentage
Green electricity outside the Netherlands	46%	42%	29%	30%	29%	percentage
Water in the Netherlands	4%	312	301	272	367	x 1,000 m ³
Water in the Netherlands (m ³ /FTE)	14%	9	8	5	8	m ³ /FTE
Lease kilometres	-19%	181	224	238	241	x 1 million km
A4 paper	-1%	18	19	21	24	kg/FTE
Paper and cardboard waste in the Netherlands	-1%	35	35	44	58	kg/FTE
Residual waste	68%	42	25	35	37	kg/FTE

Sustainability ratings**RobecoSAM**

	2016	2015	2014
Ranking	7	5	12
Overall score	91	87	83
Economic Dimension	94	88	90
Environmental Dimension	93	90	78
Social Dimension	87	85	77

Sustainalytics

	2016	2015	2014
Relative position	2 out of 396	11 out of 422	40 out of 382
Overall ESG score	85 (Industry Leader)	80 (Industry Leader)	70 (Outperformer)
Environment	92	84	70
Social	86	81	80
Governance	78	76	60

Transparency benchmark

	2016	2015	2014
Total score	188	169	168
Position	11	34	22
Company and business model	33	26	27
Policy and results	30	27	24
Management Approach	31	32	31
Relevance	17	15	15
Clarity	19	15	19
Reliability	18	18	18
Responsiveness	21	20	16
Coherence	18	16	18

Fair Finance Guide

	2016	2015	2014
Arms	7	8	8
Human rights	8	8	8
Climate change	3	5	3
Labour rights	9	9	9
remuneration	5	4	2
Animal welfare	6	4	4
Health	6	6	1
Taxes and corruption (until 2015)		5	2
Taxes	5		
Corruption	8		
Nature	6	7	3
Manufacturing	6	6	1
Mining	6	6	4
Power generation	5	5	1
Forestry	5	6	4
Food	6	7	5
Oil and Gas	7	7	4
Fisheries	6	7	6
Financial Sector	3	3	1
Transparency and accountability	5	6	5
Housing & Real Estate	3		
Gender Equality	4		

Social Indicators

Number of employees			
G4-10	Male	Female	Total
Permanent	19,158	20,468	39,626
Temporary	829	951	1,780
Full-time	19,024	11,304	30,328
Part-time	971	10,129	11,100
Internal	19,996	21,432	41,428
External ¹	4,844	2,544	7,388

1 Excluding Rabo Real Estate Group Netherlands

G4-10	Gender	North America	South America	The Netherlands	Europe excluding the Netherlands	Asia	Australia/New Zealand	Africa
Total personnel	male	2,101	530	14,626	1,588	484	667	2
	female	2,260	424	16,344	1,455	380	569	3

New hires and personnel turnover in numbers and ratio									
G4-LA1			Numbers						
	Age	Gender	North America	South America	The Netherlands	Europe excluding the Netherlands	Asia	Australia/New Zealand	Africa
New personnel	<35	male	165	45	466	128	71	62	2
		female	183	38	548	147	33	61	1
	35-54	male	124	14	227	80	47	25	0
		female	136	13	176	60	24	32	2
	>54	male	25	2	36	8	2	2	0
		female	28	0	7	9	0	5	0
Turnover	<35	male	132	56	705	225	39	58	0
		female	144	48	917	245	26	48	0
	35-54	male	132	62	1,517	365	36	71	0
		female	155	51	2,120	337	28	61	0
	>54	male	91	6	792	53	4	26	0
		female	88	7	457	35	1	9	0

G4-LA1			Ratio						
	Age	Gender	North America	South America	The Netherlands	Europe excluding the Netherlands	Asia	Australia/New Zealand	Africa
New personnel	<35	male	0.40	0.11	1.12	0.31	0.17	0.15	0.00
		female	0.44	0.09	1.32	0.35	0.08	0.15	0.00
	35-54	male	0.30	0.03	0.55	0.19	0.11	0.06	0.00
		female	0.33	0.03	0.42	0.14	0.06	0.08	0.00
	>54	male	0.06	0.00	0.09	0.02	0.00	0.00	0.00
		female	0.07	0.00	0.02	0.02	0.00	0.01	0.00
Turnover	<35	male	0.32	0.14	1.70	0.54	0.09	0.14	0.00
		female	0.35	0.12	2.21	0.59	0.06	0.12	0.00
	35-54	male	0.32	0.15	3.66	0.88	0.09	0.17	0.00
		female	0.37	0.12	5.12	0.81	0.07	0.15	0.00
	>54	male	0.22	0.01	1.91	0.13	0.01	0.06	0.00
		female	0.21	0.02	1.10	0.08	0.00	0.02	0.00

G4- LA3	Number of employees		
	Male	Female	Total
Entitled to parental leave	19,475	21,020	40,495
Taken parental leave	608	2,206	2,814
Back to work after parental leave *	230	380	610
Still working 12 months after parental leave *	137	222	359
Return to work rate **	39	17	22
Retention rate **	60	58	59

* Excluding group-wide numbers

** Excluding group-wide, Ireland and DLL NL

Training				
G4-LA9	Salary Scale *	Hours		
		Male	Female	Total
Average number of training hours ¹	1-7	22	18	19
	8-11	19	19	19
	SK	14	18	15
	EK	12	10	12
	Total **	21	21	21

* Excluding Obvion, Rabo Real Estate Group and international branches because the hours per salary scale are not available

** Including international branches

Periodic performance discussions				
G4-LA11	Salary Scale*	%		
		Male	Female	Total
% of personnel with periodic performance & career development	1-7	99.8	99.8	99.8
	8-11	99.8	99.8	99.8
	SK	99.7	99.4	99.6
	EK	93.2	84.1	91.6
	Total **	99.2	99.3	99.2

* Excluding international branches because the % per salary scale are not available

** Including international branches

Salary ratio			
G4-LA13	Salary Scale*	Female/male	
		Dutch	International
salary ratio female/male	EK	103.5	n/a
	SK	93.3	n/a
	8-11	92.1	n/a
	1-7	93.3	n/a

* Excluding international branches because the salary scales are not available

$$\text{Salary ratio} = 100 \times \frac{\text{Average salary female}}{\text{Average salary male}}$$

Other information		
G4-11	% employees under CLA	82%
G4-54/55	ratio salary highest/median the Netherlands	19:1
	ratio % increase salary highest/median the Netherlands	-1%
	ratio salary highest/median international	n/a
	ratio % increase salary highest/median international	n/a

Appendices

Appendix 4 Dialogue with social welfare organisations and dialogue with clients

This appendix includes lists of examples of dialogues that the central Sustainability department of Rabobank is engaged in with clients and 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. 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 4 shows how types of issues are linked to types of controversies. There is also a table showing the various statuses assigned to the discussions with clients.

Dialogue with social welfare organisations

This table provides a list of examples of dialogues that the sustainability department of Rabobank is engaged in with environmental organisations, and/or social welfare organisations. For each organisation, the topics covered and the outcomes are given.

Dialogues with organisations in 2016		
<i>Organisation</i>	<i>Topic</i>	<i>Action</i>
Fair Finance Guide International/ Eerlijke Bankwijzer	Annual update on responsible business policies and their implementation	Provided information and data to questionnaires, engaged and dialogue on (draft) reports
Fair Finance Guide International/ Eerlijke Bankwijzer	Living wage	Provided information and data to questionnaires, engaged and dialogue on (draft) reports
Oxfam Novib	Responsible forestry and PEFC certification	Shared and discussed views in context of Rabobank Sustainability Framework
Fair, Green and Global	Corporate conduct	Provided views and feedback on developments in corporate transparency, accountability and dialogue
Prof Korthals Altes (WUR)	Land governance in Romania	Explained our land governance policy and ways of operating in Romania
Rabobank	Indigenous land governance issues in Chile	Rabobank interacted with the Mapuche community to keep it well-placed in resolution of their land tenure issues
VBDO/Dutch Heart Foundation	Tobacco	Clarified position, policy and exposure to tobacco products industry
Both Ends	Responsible Soy	Clarified position and efforts of Rabobank to make international soy value chains more sustainable
Both Ends	Export finance	Discussed views on sustainability in export finance
Banktrack	Forrestry – Paper – pulp value chains	Provided views, policies and exposure for benchmark report, and discussed with international group of NGO forest campaigners
Fair Finance Guide International/ Eerlijke Bankwijzer	Palm oil, soy, beef, rubber value chains	Provided information on views and implementation of F&A value chain policies
Global Witness	Palm oil business in Liberia	Heard grievances and screened signals for potential client engagement
Rainforest Action Alliance	Forest risk and policy benchmark	Provided information on views and implementation of F&A value chain policies
Rainforest Action Alliance	Labour issues palm oil company Indonesia	Applied engagement procedure and monitoring RSPO complaint
Banktrack	Human rights	Provided information on views and implementation of human rights policy. Rabobank's policies were ranked first out of 28 international banks
Milieudefensie/Oxfam	Export finance coal company	Clarified sustainability policies. Adapted policies regarding companies active in coal mining & trade
Natuur & Milieu	Energy efficiency of Rabobank offices	Provided data and information on energy efficiency of Rabobank offices
NLVOW	OECD MNE Guidelines and onshore wind parks	Dialogue about role and impacts of onshore windpark finance
VBDO	Tax transparency	Provided information for annual tax TB. Rabobank's tax policy was benchmarked a shared 6th rank
Oxfam	Tax transparency	Provided information and answers to study of Oxfam

Dialogue with clients

Rabobank engages with clients on material sustainability controversies and alleged issues regarding the environment, human rights, labour rights and governance. In 2016, the sustainability department had 63 such engagements under management. The table below provides a short description of the topic of discussion and the industry and region in which the issues arose. Colleagues of local Rabobank offices closer to the respective clients play an important role in conducting these dialogues. The sustainability department decides which engagements should be held, tracked and monitored, and they will contact the colleagues responsible for the client relationship to discuss a course of action. Progress and interim results of the engagements are agreed,

monitored and aggregated by the sustainability department. Some engagements can take several years before they are concluded and 40 of the dialogues listed below have been carried over from last year. During 2016 we added 22 new engagements. We closed a total of 20 engagements, as indicated in the table. Details on the nature of the allegations' 'issue type', the current status of the issue and the status of the engagement complete this overview.

Furthermore, the Issue Table 2016 shows the classes of issues we use and provides the number of engagements in which the respective issue plays a role. One engagement can encompass more than one issue. The Table Status Category provides a description of the categories we use.

Dialogues with clients in 2016					
<i>Industry</i>	<i>Region</i>	<i>Issue type</i>	<i>Short issue description</i>	<i>Issue status</i>	<i>Status category</i>
Animal protein	Asia	E - E1	Different sustainability and welfare standards exist within the group	Closed	Client has improved policy/behaviour
Animal protein	Asia	G - G1	Licences missing	Open	Authorities involved
Animal protein	Asia	G - P1	Acquisition of new company, implementation existing policies required	Closed	Engagement stopped
Animal protein	Asia	S - L1	Client allegedly linked to slave labour in supply labour	Open	Client is taking action
Animal protein	Europe	S - H2	Allegations of impacts and insufficient consultation/ client can improve transparency	Closed	Client has improved policy/behaviour
Animal protein	Europe	G - P1	Client active in a restricted activity, agreed to change to alternative	Open	Client willing to improve policy/behaviour
Animal protein	North America	S - L5	Allegations of poor working conditions	Closed	Insufficient evidence
Animal protein	North America	S - L5	Allegations of poor working conditions	Closed	Insufficient evidence
Animal protein	North America	S - L5	Allegations of poor working conditions	Closed	Insufficient evidence
Animal protein	South America	E - E2	Illegal clearing/reforestation underway and fine paid	Open	Client is taking action
Animal protein	South America	S - H2	Potential claim of indigenous people to land/agreed not on land in question	Closed	Engagement stopped
Beverages	Asia	S - H1 S - L5	Welfare, health and working conditions on plantation insufficient	Open	Client is taking action
Beverages	South America	S - L4	Fatalities during maintenance work	Open	Authorities involved
Cocoa	Africa	S - L2	Child labour vs poverty reduction dilemma	Open	Client acknowledges issue
Cotton	Europe	S - L1 S - L2	Child labour vs poverty reduction dilemma	Open	Client is taking action
Energy/metals	Europe	S - L4	Fatalities during operations	Closed	Client has improved policy/behaviour
Energy/metals	South America	S - H1	Allegations of abusing public security forces to remove protestors	Open	Client has resolved issue
Energy/metals	South America	S - L1 E - E3	Client allegedly linked to HR violations and depletion of natural resources in supply chain.	Closed	Client has improved policy/behaviour
Energy/metals	South America	E - E2 E - E4 S - H2	Various allegations of damage to environment and insufficient consultation	Closed	Client relationship terminated
Farm inputs	North America	E - E2 S - H2	Alleged negative impacts to people and environment	Open	Authorities involved
Farming	South America	S - L5	Quality employee facilities	Closed	Client has resolved issue
Farming	South America	S - L5	Quality employee facilities	Closed	Client relationship terminated
Farming	South America	E - E2	Damage to HCV	Open	Client relationship terminated
Farming	South America	S - L5	Allegations of labour contract irregularities	Closed	Client has resolved issue
Farming	South America	E - E2	Damage to HCV	Open	Engagement stopped
Farming	South America	E - E2 S - L5	Quality employee facilities and environmental issues	Open	Client is taking action
Farming	South America	E - E2	Damage to HCV	Open	Client is taking action
Farming	South America	E - E2 S - L5	Quality employee facilities and environmental issues	Closed	Client has resolved issue
Farming	South America	E - E2 S - L5	Quality employee facilities and environmental issues	Closed	Client has resolved issue
Farming	South America	E - E2 S - L5	Quality employee facilities and environmental issues	Closed	Engagement stopped
Farming	South America	E - E2 S - L5	Quality employee facilities and environmental issues	Open	Client is taking action
Food	Europe	G - G1	Tax avoidance	Open	Client is taking action

Food	North America	S - L3	Allegation of treating pro-union staff unfairly	Open	Investigation
Food	South America	S - L5 S - L6	Allegations of poor working conditions	Open	Investigation
Grains	Asia	E - E2	Allegations of burning to clear land	Open	Authorities involved
Grains	South America	G - G1	Optimising legal structures to the potential detriment of land rights holders.	Closed	Client has resolved issue
Palm oil	Africa	S - H2	Alleged negative impact on community	Open	Insufficient evidence
Palm oil	Africa	S - H2	Alleged insufficient information/compensation to communities	Open	Authorities involved
Palm oil	Africa	S - H2	Issues due to insufficient agreement regarding FPIC procedure	Open	Client is taking action
Palm oil	Africa	S - H2	Allegations on insufficient consultation/compensation	Closed	Client is taking action
Palm oil	Asia	S - H3	Conflicting claims of communities on land. Dispute on sharing the agreed compensation sum with new claimants	Open	Client has resolved issue
Palm oil	Asia	S - H2	FPIC and settlement issues in part-owned plantation	Open	Client is taking action
Palm oil	Asia	S - L5	Labour conditions not in breach of policy or applicable law, but room for improvement	Open	Client is taking action
Palm oil	Asia	G - P1	Relationship started w/out RSPO adherence. Membership obtained. No progress in compliance certification.	Closed	Client relationship terminated
Palm oil	Asia	S - H2 S - H3 E - E2	Several accusations regarding insufficient FPIC, compensation and ESIA	Open	Client has resolved issue
Palm oil	Asia	S - H2	Allegations of primary forest destruction and no FPIC applied	Open	Client willing to improve policy/behaviour
Palm oil	Asia	S - H2 E - E2	Allegations of insufficient FPIC, legal compliance and HCV assessments. Breaches convincingly refuted by client yet above and beyond measures agreed.	Open	Client is taking action
Palm oil	Asia	S - H3	Issues with land rights and legal requirements to operate that mutually exclude.	Open	Client is taking action
Palm oil	Asia	E - E2	Allegations of destruction of HCV	Open	Client is taking action
Palm oil	Asia	E - E2 S - H2 S - H3	Allegations of insufficient EIA and insufficient share to land rights holders	Open	Client willing to improve policy/behaviour
Palm oil	Asia	E - E3 S - H2	Potential issue of insufficient consultation	Open	Investigation
Palm oil	Asia	E - E2	Alleged HCV destruction	Closed	Insufficient evidence
Palm oil	Asia	E - E2	Measures to protect environment in supply chain insufficient	Open	Client is taking action
Palm oil	Asia	E - E3	Insufficient traceability	Open	Client is taking action
Palm oil	Asia	E - E3	Insufficient traceability	Open	Client is taking action
Palm oil	Asia	E - E3	Insufficient traceability	Open	Client is taking action
Palm oil	Asia	S - L2 S - L3 S - L4	Allegations of worker exploitation	Open	Investigation
Palm oil	Asia	E - E3	Allegations of deforestation of primary forest	Open	Client has improved policy/behaviour
Palm oil	Asia	E - E4 S - H2	Environmental and social issues in supply chain	Open	Investigation
Palm oil	Asia	S - L2 S - L4 S - L5 S - L6	Allegations of illegal and abusive labour practices	Open	Client is taking action
Services	South America	E - E2 H - H2	Allegations of use of violence to relocate people and damage to environment	Open	Authorities involved
Sugar	Asia	S - H2	Controversy regarding compensation of relocated people	Open	Client has resolved issue
Sugar	South America	E - E2	Damage to HCV	Open	Client is taking action

Rabobank Issue Table 2016							
Environment		Society				Governance	
		Human rights		Labour rights			
E1. cruelty to animals	#1	H1. human rights abuses	#2	L1. forced labour	#3	G1. integrity (corruption, bribery, money laundering, fraud, tax evasion, anti-competitive practices)	#3
E2. impacts on ecosystems and landscapes	#20	H2. impacts on communities and indigenous peoples	#17	L2. child labour	#4	G2. lack of transparency	#0
E3. overuse of natural capital resources or waste of resources	#6	H3. participation issues	#4	L3. freedom of association and collective bargaining	#2	G3. misleading communication and 'greenwashing'	#0
E4. pollution	#2	H4. social discrimination	#0	L4. health and safety of employees	#4	G4. products or services that pose health and safety risks to consumers	#0
				L5. poor employment conditions	#15	P1. non-compliance Rabobank policy	#3
				L6. employee discrimination	#2		

= number of engagements in which issue is discussed

Status Category	
Status category	Description
Investigation	Investigation is required to better understand the nature and extent of the problem and to gain more insight into the necessary or desired improvement
Client acknowledges issue	There is agreement on the facts of the issue
Insufficient evidence	There is insufficient certainty that the client is causing the problem or can contribute to reducing or resolving it
Client willing to improve policy/behaviour	There is agreement on how an improvement can be achieved
Client is taking action	-
Client has resolved issue	-
Client has improved policy/behaviour	-
Authorities involved	A dispute between parties is under consideration by or requires the action or decision of a government agency or court of law; the dialogue has been suspended
Client relationship terminated	The client has shown insufficient progress and the bank has taken steps to end the relationship
Engagement stopped	In case of prospective clients: the prospect is unwilling to act in accordance with our policies; in case of a client relationship: the link between Rabobank and the client or the issue no longer exists

Appendices

Appendix 5 Global Reporting Initiative

General Standard Disclosures				
	<i>Disclosure</i>	<i>Location of Disclosure 2016</i>	<i>Identified Omission(s)</i>	<i>Reason(s) for Omission(s)</i>
Strategy and analysis				
G4-1	Statement from the most senior decision-maker of the organisation	Annual report: Chairman's foreword		
G4-2	Description of key impacts, risks and opportunities	The material topics are the most relevant economic, environmental and social topics for Rabobank. We describe each material topic extensively in the separate chapters of our Annual Report (incl. identified risks and opportunities) and the topics are prioritized in the materiality matrix. Key impacts: - Annual report: Welcome to Rabobank's Annual Report: Our value creation model - Annual report: Welcome to Rabobank's Annual Report: Key inputs - Annual report: About Rabobank: Strategy and SDGs - Annual report: Our output and impact (chapters) Risks: - Annual report: Balancing risks and returns: Managing risks: Risk strategy, Risk appetite and Risk culture - Annual report: Working with clients on sustainability risks and opportunities: ESG risks and opportunities for corporate clients - Appendix 2: Sustainably Successful Together: Introduction: Management and organisation Opportunities: - Annual report: Welcome to Rabobank's Annual Report: Our environment - Annual report: Digitising services: Extending existing digital products and services (Contactless payment with the Rabo Wallet) and New digital services (A payment terminal in a smartphone: SmartPin) - Annual report: Working with clients on sustainability risks and opportunities: Client photo – corporate clients and ESG opportunities for Retail Clients		
Organisational profile				
G4-3	Name of the organisation	Annual report: About Rabobank: Profile of Rabobank www.rabobank.com		
G4-4	Primary brands, products, and/or services	- Annual report: Value creation model: Business model - Annual report: About Rabobank: Profile of Rabobank (Domestic retail banking, Dutch and international wholesale banking and international rural and retail banking, DLL, Real estate) - Products & Services (www.rabobank.com/en/products-services/index.html)		
G4-5	Location of organisation's headquarters	Annual report: Colofon https://www.rabobank.com/nl/contact/index.html		
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	- Annual report: About Rabobank: Profile of Rabobank - Appendix 1: About this report: Scope and boundaries https://www.rabobank.com/en/locate-us/index.html		
G4-7	Nature of ownership and legal form	Annual report: Chairman's foreword: New cooperative structure https://www.rabobank.com/en/about-rabobank/background-stories/cooperative/rabobank-towards-a-new-governance-structure.html		
G4-8	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries)	Annual report: About Rabobank: Profile of Rabobank (Domestic retail banking, Dutch and international wholesale banking and international rural and retail banking, DLL, Real estate)		
G4-9	Scale of the reporting organisation	- Annual report: Welcome to Rabobank's Annual Report: Key figures (table) - Annual report: About Rabobank: Profile of Rabobank - Annual report: Financial statements		

	Disclosure	Location of Disclosure 2016	Identified Omission(s)	Reason(s) for Omission(s)
G4-10	- Number of employees by employment contract and gender. - Number of permanent employees by employment type and gender. - Total workforce by employees and supervised workers and by gender. - Total workforce by region and gender. - Portion of the organisation's work is performed by workers who are legally recognised as self-employed, or by individuals other than employees or supervised workers, including employees and supervised employees of contractors. - Significant variations in employment numbers (such as seasonal variations in employment in the tourism or agricultural industries)	- Annual report: Our output and impact: Improving performance: Financial results of Rabobank (table) - Annual report: Welcome to Rabobank's Annual Report: Key figures (table) - Annual report: Our output and impact: Improving performance: Notes to the financial results of Rabobank (Operating expenses increased 6%) - Appendix 3: Sustainability Facts & Figures: Social indicators (table G4-10, G4-LA1)		
G4-11	Percentage of employees covered by collective bargaining agreements	Appendix 3: Sustainability Facts & Figures: Social indicators (table G4-11)		
G4-12	Supply chain of the reporting organisation	Annual report: Welcome to Rabobank's Annual Report: Value creation model and Key inputs (Human and social capital, Intellectual capital, Financial resources)		
G4-13	Significant changes during the reporting period regarding size, structure, ownership, or supply chain	- Annual report: About Rabobank: DLL - Annual report: Our output and impact: Improving performance: Domestic retail banking (Loan portfolio shrank by 3%) - Appendix 1: About this report: Scope and boundaries		
G4-14	Explanation of whether and how the precautionary approach or principle is addressed by the organisation	Annual report: Increasing Transparency: Sustainability Policy Framework https://www.rabobank.com/en/about-rabobank/in-society/sustainability/articles/2016/share-in-a-better-climate.html		
G4-15	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organisation subscribes or endorses	Rabobank embraces: - United Nations Global Compact - Natural Capital Declaration - UNEP FI - Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy - Principles for multinational enterprises and social policy (ILO) - Equator Principles - OECD Guidelines for multinational enterprises • Annual report: Increasing Transparency: Sustainability Policy Framework https://www.rabobank.com/nl/images/sustainability-policy-framework.pdf		
G4-16	Memberships in associations (such as industry associations) and/or national/international advocacy organisations	- Annual report: Engaging with stakeholders: Public debate on food-related issues (table) - Annual report: Stimulating sustainable agriculture: Global coffee platform and Collaboration with World Wide Fund for Nature - Annual report: Improving a circular economy: Sustainable bonds Banking: - European Association of Cooperative Banks (EACB) - Euro Banking Association (EBA) - Nederlandse Vereniging van Banken [Netherlands Association of Banks (NVB)] - Banking Environment Initiative - Palm oil - Member of RSPO, Member of the Board of Governors of RSPO		
Identified material aspects and boundaries				
G4-17	All entities included in the organisation's financial statements or equivalent documents	Annual report: Financial Statements		
G4-18	Process for defining the report content, Aspect Boundaries, and implementation of the Reporting Principles for Defining Report Content.	- Annual report: Welcome to Rabobank's Annual Report: Continuous stakeholder dialogue and Our environment and Materiality - Appendix 1: About this report: Scope and boundaries, Materiality and Data collection of sustainability information		
G4-19	List of all material Aspects identified in the process for defining report content	- Annual report: Welcome to Rabobank's Annual Report: materiality - Appendix 1: About this report: Materiality		
G4-20	Identification of Aspect Boundaries within the organisation	- Appendix 1: About this report: Scope and boundaries - The boundary for material topics 1-4 and 13-15 are within the organisation		
G4-21	Identification of Aspect Boundaries outside the organisation	- Appendix 1: About this report: Scope and boundaries - The boundary for material topics 5-12 are within the organisation		
G4-22	The effect of any restatements of information provided in previous reports, and the reasons for such restatements	- Annual report: Promoting a circular economy: Sustainable bonds - Annual report: Supporting the vitality of communities (Cooperative Dividend) - Appendix 3: Sustainability Facts & Figures: Finance Overview with a societal character or a positive societal impact (table *) and Social Indicators (table G4-10)		
G4-23	Significant changes from previous reporting periods in the Scope and Aspect Boundaries	No changes		

	Disclosure	Location of Disclosure 2016	Identified Omission(s)	Reason(s) for Omission(s)
Stakeholder engagement				
G4-24	List of stakeholder groups engaged by the organisation	- Annual report: Welcome to Rabobank's Annual Report: Continuous stakeholder dialogue - Annual report: Engaging with stakeholders: Introduction - Appendix 4: Dialogue with Social Welfare Organisations and clients in 2016 (table)		
G4-25	Basis for identification and selection of stakeholders with whom to engage	- Annual report: Welcome to Rabobank's Annual Report: Continuous stakeholder dialogue - Annual report: Engaging with stakeholders: Introduction and empowering employees We engage with all our stakeholder who directly and indirectly affect our organisation		
G4-26	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group	- Annual report: Welcome to Rabobank's Annual Report: Continuous stakeholder dialogue - Annual report: Engaging with stakeholders: Introduction and Empowering employees - Appendix 4: Dialogue with Social Welfare Organisations and clients: Dialogue with Social Welfare Organisations in 2016 (table) https://www.rabobank.com/en/about-rabobank/profile/organisation/board/member-council.html https://www.rabobank.com/en/about-rabobank/cooperative/in-practice/index.html		
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.	- Annual report: Welcome to Rabobank's Annual Report: Continuous stakeholder dialogue - Annual report: Engaging with stakeholders - Appendix 1: About this report - Appendix 4: Dialogue with Social Welfare Organisations and clients: Dialogue with Social Welfare Organisations in 2016 and Dialogues with clients in 2016 (tables)		
Report profile				
G4-28	Reporting period for information provided	Appendix 1: About this report: Scope and boundaries		
G4-29	Date of most recent previous report	Rabobank Group Annual Report 2015 (publication: April 2016)		
G4-30	Reporting cycle	Annual		
G4-31	Contact point for questions regarding the report or its contents	Annual report: Welcome to Rabobank's Annual Report: Rabobank Annual Report		
G4-32	GRI 'in accordance' option, GRI Content Index for the chosen option and reference to the External Assurance Report	- Annual report: Welcome to Rabobank's Annual Report: Introduction - Appendix 5: GRI (table) - Annual report: Assurance Report		
G4-33	Policy and current practice with regard to seeking external assurance for the report	Appendix 1: About this report: Assurance The Rabobank Annual Report is an integrated report which is assured by an external assurance provider and reviewed by the Audit Committee, Supervisory Board and Executive Board of Rabobank		
Governance				
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	- Annual Report: Corporate Governance section - Annual report: About Rabobank: Profile of Rabobank - Annual report: Management (picture and whole chapter) https://www.rabobank.com/en/about-rabobank/profile/organisation/index.html		
G4-35	Process for delegating authority for economic, environmental and social topics from the highest governance body to senior executives and other employees	- Annual Report: Corporate Governance section - Appendix 2: Sustainably Successful Together: Introduction: Management and organisation https://www.rabobank.com/en/images/Reglement-RvB-finaal_ENG.pdf		
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	- Bas Rüter, Director Sustainability reports directly to Berry Marttin - Annual Report: Corporate Governance section - Appendix 2: Sustainably Successful Together: Introduction https://www.rabobank.com/en/images/Reglement-RvB-finaal_ENG.pdf		
G4-37	Processes for consultation between stakeholders and the highest governance body on economic, environmental and social topics	- Annual report: Welcome to Rabobank's Annual Report: Continuous stakeholder dialogue - Annual report: Engaging with stakeholders: Introduction - Appendix 4: Dialogue with Social Welfare Organisations and clients		
G4-38	Composition of the highest governance body and its committees	- Annual Report: Corporate Governance section - Annual report: Management		
G4-39	Indicate whether the Chair of the highest governance body is also an executive officer	- Due to the two-tier model, the Chairman of the Executive Board is always non-executive and independent. - Annual report: Management - Annual report: Corporate Governance section		

	Disclosure	Location of Disclosure 2016	Identified Omission(s)	Reason(s) for Omission(s)
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	The appointment 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. https://www.rabobank.com/en/images/Reglement-benoemingscommissie-finaal_ENG.pdf		
G4-41	Processes in place for the highest governance body to ensure conflicts of interest are avoided	Article 15 https://www.rabobank.com/en/images/Reglement-RvB-finaal_ENG.pdf		
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	- Appendix 2: Management and organisation – Sustainably Successful Together - Article 17 https://www.rabobank.com/en/images/Reglement-RvB-finaal_ENG.pdf		
G4-43	Measures taken to develop and enhance the highest governance body's collective knowledge of economic, environmental and social topics	- Article 3.3 https://www.rabobank.com/en/images/Reglement-RvB-finaal_ENG.pdf - CSR is a regular topic on the agenda of the Supervisory Board, the Executive Board as well as General Members Council.		
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	Annual report: Responsible remuneration: Remuneration policy and Rabobank's Vision on remuneration		
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	- Appendix 1: About this report: Data collection of sustainability information and Preparation of the Annual Report - Appendix 2: Management and organisation – Sustainably Successful Together - Annual report: Supervisory Board report		
G4-46	Highest governance body's role in reviewing the effectiveness of the organisation's risk management processes for economic, environmental and social topics	Annual report: Supervisory Board report		
G4-47	Frequency of the highest governance body's review of economic, environmental and social impacts, risks, and opportunities	Annual report: Supervisory Board report		
G4-48	Highest committee or position that formally reviews and approves the organisation's sustainability report and ensures that all material Aspects are covered	- Appendix 1: About this report - Annual report: Supervisory Board report		
G4-49	Process for communicating critical concerns to the highest governance body	Annual Report: Corporate Governance section		
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	Annual report: Supervisory Board report		
G4-51	Remuneration policies for the highest governance body and senior executives	Annual report: Responsible remuneration: Remuneration policy and Rabobank's Vision on remuneration		
G4-52	Process for determining remuneration	Annual report: Responsible remuneration: Remuneration policy, Group Remuneration Policy https://www.rabobank.com/nl/images/2014-01-23%20-Vision_on_remuneration.pdf		
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.	Annual report: Responsible remuneration: Rabobank's Vision on remuneration (External benchmarking) and Rabobank Supervisory Board (Benchmark) https://www.rabobank.com/en/images/2014-01-23%20-Vision_on_remuneration.pdf		
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	- Appendix 3: Sustainability facts & figures (table G4-54/55) - Annual report: Responsible remuneration: Rabobank Supervisory Board (Individual payments) - Annual report: Responsible remuneration: Remuneration of the Executive Board (Individual remuneration) - Annual report: Responsible remuneration: Domestic banking: Executives: Remuneration package (Fixed income) Our most significant country in which we operate is The Netherlands.		
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	- Appendix 3: Sustainability facts & figures: Social Indicators: (table G4-54/55) - Annual report: Responsible remuneration: Remuneration of the Executive Board: Development of remuneration package Our most significant country in which we operate is The Netherlands.		

	Disclosure	Location of Disclosure 2016	Identified Omission(s)	Reason(s) for Omission(s)
Ethics and integrity				
G4-56	Description of the organisation's values, principles, standards and norms of behaviour such as codes of conduct and codes of ethics	Annual report: Restoring trust: Ethics https://www.rabobank.com/en/images/code-of-conduct-rabobank-en.pdf		
G4-57	Internal and external mechanisms for seeking advice on ethical and lawful behaviour, and matters related to organisational integrity	- Annual report: Restoring trust: Ethics - Annual report: Dealing with complaints: Dealing with complaints - Annual report: Dealing with complaints: Customer feedback https://www.rabobank.com/en/about-rabobank/in-society/ethics/index.html https://www.rabobank.nl/particulieren/klacht/ https://www.rabobank.com/nl/images/klokkenluideregeling-19-05-2016-nl.pdf		
G4-58	Internal and external mechanisms for reporting concerns about unethical or unlawful behaviour, and matters related to organisational integrity	- Annual report: Restoring trust: Ethics - Annual report: Dealing with complaints: Dealing with complaints - Annual report: Dealing with complaints: Customer feedback https://www.rabobank.com/en/about-rabobank/in-society/ethics/index.html https://www.rabobank.nl/particulieren/klacht/ https://www.rabobank.com/nl/images/klokkenluideregeling-19-05-2016-nl.pdf		

SPECIFIC STANDARD DISCLOSURES				
	Disclosure	Location of Disclosure 2016	Identified Omission(s)	Reason(s) for Omission(s)
Economic performance				
G4-DMA	Generic Disclosures on Management Approach	- Annual report: Welcome to Rabobank's Annual Report - Annual report: About Rabobank - Banking for the Netherlands - Banking for Food - Sustainably Successful Together - Annual report: Improving performance - Appendix 1: About this report - Appendix 2: Sustainably Successful Together		
G4-EC1	Direct economic value generated and distributed	- Annual report: Financial statements - Annual report: Improving performance - Annual report: Supporting the vitality of communities - Investing in vital communities in the Netherlands - Appendix 2: Sustainably Successful Together		
G4-EC2	Financial implications and other risks and opportunities for the organisation's activities due to climate change	https://www.rabobank.com/en/images/2015-09-18-rabobank-climate-statement.pdf https://www.rabobank.com/en/images/infographic-klimaat-eng2.pdf	More detailed information on financial implications and cost estimates of risks and opportunities will become available. In 2017 Rabobank has initiated further research and we expect to disclose more information in 2018.	
G4-EC3	Coverage of the organisation's defined benefit plan obligations	https://www.rabobankpensioenfondsen.nl/downloads/default.aspx https://www.rabobankpensioenfondsen.nl/Het-pensioenfondsen/Default.aspx https://www.rabobankpensioenfondsen.nl/Images/20130228_Aanpassingen_Pensioenreglement_Rabobank_2006_nw.pdf		
G4-EC4	Financial assistance received from government	No financial support received		
Indirect economic impacts				
G4-DMA	Generic Disclosures on Management Approach	- Annual report: Welcome to Rabobank's Annual Report - Annual report: About Rabobank: Mission and Vision (Banking for the Netherlands, Banking for Food) - Annual report: Stimulating sustainable agriculture - Annual report: Supporting the vitality of communities: Rabobank Foundation (Banking for the Netherlands and Banking for Food) - Appendix 1: About this report: Materiality - Appendix 2: Sustainably Successful Together: Introduction https://www.rabobank.com/nl/about-rabobank/in-society/rabobank-foundation/index.html (social impact report) https://www.rabobank.com/nl/about-rabobank/food-agribusiness/rabo-development/index.html		

	Disclosure	Location of Disclosure 2016	Identified Omission(s)	Reason(s) for Omission(s)
G4-EC7	Development and impact of infrastructure investments and services supported	- Annual report: Stimulating sustainable agriculture: Sustainability knowledge (table) - Annual report: Supporting the vitality of communities: Rabobank Foundation (Banking for the Netherlands and Banking for Food) - Annual report: Working with clients on sustainability risks and opportunities: Responsible Investing https://www.rabobank.com/en/products-services/business-banking/project-finance/index.html		
G4-EC8	Significant indirect economic impacts, including the extent of impacts	https://www.rabobank.com/en/about-rabobank/in-society/rabobank-foundation/rabobank-foundation-news/2016/view-on-impact.html (social impact report) https://www.rabobank.com/nl/about-rabobank/food-agribusiness/rabo-development/index.html		
Energy				
G4-DMA	Generic Disclosures on Management Approach	- Annual report: Welcome to Rabobank's Annual Report: Introduction, Value creation model (Output) - Annual report: About Rabobank - Annual report: Promoting a circular economy: Our own efforts to reduce emissions - Appendix 1: About this report: Materiality - Appendix 2: Sustainably Successful Together: Our commitment		
G4-EN3	Energy consumption within the organisation	- Annual report: Promoting a circular economy: Our own efforts to reduce emissions - Appendix 1: About this report: Data collection of sustainability information - Appendix 3: Sustainability Facts & Figures: Greenhouse gas emissions and climate footprint (table)		
G4-EN4	Energy consumption outside of the organisation	- Appendix 1: About this report: Scope and boundaries - Appendix 3: Sustainability Facts & Figures: Greenhouse gas emissions and climate footprint (table)		
G4-EN5	Energy intensity	- Annual report: Promoting a circular economy: Our own efforts to reduce emissions - Appendix 1: About this report: Scope and boundaries - Appendix 3: Sustainability Facts & Figures: Greenhouse gas emissions and climate footprint (table)		
G4-EN6	Reduction of energy consumption	- Annual report: Promoting a circular economy: KPI: Rabobank gives priority to sustainability leaders in financing and will double the volume of the services provided to them (tables) - Annual report: Promoting a circular economy: Our own efforts to reduce emissions - Appendix 1: About this report: Scope and boundaries - Appendix 3: Sustainability Facts & Figures: Equator Principles and Table Greenhouse gas emissions and climate footprint		
G4-EN7	Reduction in energy requirements of products and services	- Annual report: Rabo Green Mortgage - Appendix 1: About this report: Scope and boundaries - Appendix 3: Sustainability Facts & Figures - Table Greenhouse gas emissions and climate footprint (in tonnes of CO₂) and Energy usage Rabobank Group by source and activity - Appendix 3: Sustainability Facts & Figures: Equator Principles		
Emissions				
G4-DMA	Generic Disclosures on Management Approach	- Appendix 1: About this report: Data collection of sustainability information - Annual report: Promoting a circular economy: Our own efforts to reduce emissions		
G4-EN15	Direct greenhouse gas (GHG) emissions (Scope 1)	- Annual report: Promoting a circular economy: Our own efforts to reduce emissions - Appendix 3: Sustainability Facts & Figures: Greenhouse gas emissions and climate footprint (table)		
G4-EN16	Energy indirect greenhouse gas (GHG) emissions (Scope 2)	- Annual report: Promoting a circular economy: Our own efforts to reduce emissions - Appendix 3: Sustainability Facts & Figures: Greenhouse gas emissions and climate footprint (table)	Rabobank does not produce estimates related to the emissions of the financing portfolio. We expect to disclose this information in 2018	
G4-EN17	Other indirect greenhouse gas (GHG) emissions (Scope 3)	- Annual report: Promoting a circular economy: Our own efforts to reduce emissions - Appendix 3: Sustainability Facts & Figures: Greenhouse gas emissions and climate footprint (table)		
G4-EN18	Greenhouse gas (GHG) emissions intensity	- Annual report: Promoting a circular economy: Our own efforts to reduce emissions - Appendix 3: Sustainability Facts & Figures: Greenhouse gas emissions and climate footprint (table)		
G4-EN19	Reduction of greenhouse gas (GHG) emissions	Appendix 3: Sustainability Facts & Figures: Greenhouse gas emissions and climate footprint (table)		
G4-EN20	Emissions of ozone-depleting substances (ODS)	Rabobank does not produce or use ODS in its processes		
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 CO₂ equivalents in the calculation.		
Employment				
G4-DMA	Generic Disclosures on Management Approach	Annual report: Encouraging diversity and equality: Introduction and Diversity and inclusiveness		
G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender and region	Appendix 3: Sustainability Facts & Figures: Social Indicators: New hires and personnel turnover in numbers and ratio (tables G4-LA1)		

	Disclosure	Location of Disclosure 2016	Identified Omission(s)	Reason(s) for Omission(s)
G4-LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation	- There is no difference in the fringe benefits between full-time and part-time employees or between employees with a fixed-term/indefinite contract. - 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.		
G4-LA3	Return to work and retention rates after parental leave, by gender	Appendix 3: Sustainability Facts & Figures: Social Indicators: table G4- LA3		
Training and education				
G4-DMA	Generic Disclosures on Management Approach	Annual report: Developing talent and competencies: Three central themes and Rabo Global Traineeship		
G4-LA9	Average hours of training per year per employee by gender, and by employee category	- Annual report: Developing talent and competencies: Sustainability in training - Appendix 3: Social indicators: Table training		
G4-LA10	Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	- Annual report: Developing talent and competencies: Three central themes - Annual report: Developing talent and competencies: Sustainability in training		
G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	Appendix 3: Sustainability Facts & Figures: Social Indicators: Periodic performance discussions (table G4-LA11)		
Diversity and equal opportunity				
G4-DMA	Generic Disclosures on Management Approach	Annual report: Encouraging diversity and equality: Encouraging diversity and equality		
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	Executive Board: - Male: 6, Female: 1. age category 30-50: 1, age category >50: 6 https://www.rabobank.com/nl/about-rabobank/profile/organisation/board/executive-board-members.html Supervisory board: - Male: 6, Female: 3. age category > 50: 5, >60: 3, >70: 1 https://www.rabobank.com/nl/about-rabobank/profile/organisation/board/supervisory-board-members.html https://www.rabobank.nl/particulieren/leden/	A breakdown per minority group is not relevant because there are no minority groups represented in the central governance bodies of Rabobank. Minority groups are represented in the member councils of local Rabobanks, but no breakdown is available	
Equal remuneration for women and men				
G4-DMA	Generic Disclosures on Management Approach	Annual report: Encouraging diversity and equality		
G4-LA13	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation	Appendix 3: Sustainability Facts & Figures: Social Indicators: Salary ratio (table G4-LA13)		
Local communities				
G4-DMA	Generic Disclosures on Management Approach	- Annual report: Supporting the vitality of communities: Introduction - Annual report: Supporting the vitality of communities: DLL (Charitable donations and volunteering) https://www.rabobank.com/nl/about-rabobank/in-society/sustainability/vital-communities/index.html		
G4-SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programmes	- Annual report: Supporting the vitality of communities: Meaningful cooperative and Rabo Versterkt - Appendix 2: Sustainably Successful Together: Clarification of terms and methodology sustainability performance measurement https://indd.adobe.com/view/8830926a-dbcf-4111-9a33-d60e65d0616d		
G4-SO2	Operations with significant actual and potential negative impacts on local communities	Rabobank does not have operations with direct significant and potential negative impacts on local communities. Through responsible investing negative indirect impacts are reduced.		
Compliance (society)				
G4-DMA	Generic Disclosures on Management Approach	Annual report: Balancing risks and returns: Introduction and Managing risks: Risk strategy		
G4-SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	During 2016 Rabobank Group had: 2 non-monetary sanction, 1 fine of more than EUR 100,000, 0 cases that were referred to dispute resolution systems. Rabobank defines significant fines as those which are more than EUR 100,000.		

	Disclosure	Location of Disclosure 2016	Identified Omission(s)	Reason(s) for Omission(s)
Product and service labeling				
G4-DMA	Generic Disclosures on Management Approach Policies for the fair design and sale of financial products and services Initiatives to enhance financial literacy by type of beneficiary	- We inform customers about product risks using financial brochures: www.afm.nl/nl-nl/consumenten/themas/advies/verplichte-info/fb - We monitor their success using the confidence indicator: https://www.rabobank.nl/particulieren/over-rabobank/vertrouwensmonitor/ - We enhance financial literacy through the Rabobank Foundation : https://www.rabobank.com/en/about-rabobank/in-society/rabobank-foundation/employees-fund/themes/education.html		
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	www.rabobank.nl/particulieren/voorwaarden/ 100% for services in the Netherlands https://www.rabobank.com/en/products-services/index.html 100% for services abroad		
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	- Number of incidents of non-compliance with regulations resulting in a fine or penalty : 0 - Number of incidents of non-compliance with regulations resulting in a warning : 1 - Number of incidents of non-compliance with voluntary codes : 0		
G4-PR5	Results of surveys measuring customer satisfaction	- Annual report: Our output and impact: Improving performance: Customer satisfaction - Appendix 2: Sustainably Successful Together: Retail customers: KPI 8- 10		
Customer privacy				
G4-DMA	Generic Disclosures on Management Approach	Annual report: Balancing risks and returns https://www.rabobank.com/en/footer/privacy/index.html		
G4-PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	- Number of complaints received concerning breaches of customer privacy from outside parties and substantiated by the organisation (number) 2144 - Number of complaints received concerning breaches of customer privacy from regulatory bodies (number) 2 - Number of identified leaks, thefts or losses of customer data (number) 56		
Compliance (product responsibility)				
G4-DMA	Generic Disclosures on Management Approach	- Rabobank attaches great value to the quality of its products and services. Good products are good for both customers and Rabobank. This means that in designing and maintaining products all interests, risks and legal requirements are properly weighed. Recent regulation puts in place extra requirements in the area of Treating Customers Fairly (TCF). The global policy TCF contains three principles on products governance: - Rabobank has in place a standard governing the development and periodical review of its products and services. - Rabobank strives to develop a range of products and services that is useful and comprehensible to the intended target market. - Rabobank seeks to provide products and services that are well designed, suitable/appropriate, useful, fairly priced and fit for the intended target market. - The Compliance expertise center on Treating Customers Fairly is owner of the global policy and responsible to monitor on new laws and regulations for which the standard should be updated.		
G4-PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	EUR 850.000		
Product portfolio				
G4-DMA	- Generic Disclosures on Management Approach - Policies with specific environmental and social components applied to business lines - Procedures for assessing and screening environmental and social risks in business lines - Processes for monitoring clients' implementation of and compliance with environmental and social requirements included in agreements or transactions - Processes for improving staff competency to implement the environmental and social policies and procedures as applied to business lines - Interactions with clients / investees / business partners regarding environmental and social risks and opportunities	- Rabobank Sustainability policy framework : https://www.rabobank.com/en/images/sustainability-policy-framework.pdf - Annual report: Working with clients on sustainability risks and opportunities: Introduction, ESG risks and opportunities for corporate clients, Client photo - Annual report: Stimulating sustainable agriculture: Introduction - Annual report: Supporting the vitality of communities: Rabobank Foundation and Rabo Development - Annual report: Promoting a circular economy: Circular economy: Three concrete initiatives, Sustainable bonds and Rabo Groen Bank B.V. - Appendix 4: Dialogue with social welfare organisations and dialogue with clients: Dialogue with Clients: Dialogues with clients in 2016 (table)		

	Disclosure	Location of Disclosure 2016	Identified Omission(s)	Reason(s) for Omission(s)
G4-FS6	Percentage of the portfolio for business lines by specific region, size (e.g.micro/sme/large) by sector	- Annual report: About Rabobank: 2016 Overview - Annual report: Our output and impact: Improving performance: Net profit improved due to continued higher gross results and lower impairments: WRR loan portfolio grew by 1% - Annual report: Our output and impact: Leasing Continued strong results and growth in activities: Lease portfolio decreased by 2% https://www.rabobank.com/nl/images/overzicht-leningenportefeuille-Rabobank.pdf		
G4-FS7	Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose	- Appendix 3: Sustainability Facts & Figures: Finance Overview with a societal character or a positive societal impact (table) - Overview Total sustainable assets under management for customers, sustainable funding and other transaction volumes		
G4-FS8	Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose	- Appendix 3: Sustainability Facts & Figures: Finance Overview with a societal character or a positive societal impact (table) - Overview Total sustainable assets under management for customers, sustainable funding and other transaction volumes		
Active ownership				
G4-DMA	Generic Disclosures on Management Approach 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.	Annual report: Working with clients on sustainability risks and opportunities: Responsible Investing		
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.	- Annual report: Working with clients on sustainability risks and opportunities: Introduction, ESG risks and opportunities for corporate clients, Client photo - Appendix 4: Dialogue with social welfare organisations and dialogue with clients We interact with clients on a daily basis and environmental and social issues form an integral part of our engagement. We manage this via several ways (e.g. KPI 7: Client Photo). It is not feasible to report the percentage.		
G4-FS11	Percentage of assets subject to positive and negative environmental or social screening.	- Annual report: Working with clients on sustainability risks and opportunities: Introduction, ESG risks and opportunities for corporate clients, Client photo - Annual report: Working with clients on sustainability risks and opportunities: Responsible Investing - Appendix 3: Sustainability Facts & Figures: Finance Overview with a societal character or a positive societal impact (table), Equator Principles (table) and Overview Total sustainable assets under management for customers, sustainable funding and other transaction volumes (table) According to our Responsible Investing policy, we assess our assets based on social and environmental aspects. We manage this via several ways and measure our Sustainable Financing and Funding. It is not feasible to report the percentage.		
Local communities				
G4-FS13	Access points in low-populated or economically disadvantaged areas by type	- Rabo Development impact report: https://www.rabobank.com/nl/images/rabo-development-impact-report.pdf - World map of activities : https://www.rabobank.com/en/map/index.html - Annual report: Profile of Rabobank - Annual report: Supporting the vitality of communities	The data over the period 2016 is not available yet, therefore we incorporate data over 2015.	
G4-FS14	Initiatives to improve access to financial services for disadvantaged people	Annual report: Our output and impact: Improving performance: Customer satisfaction: Client satisfaction on sustainable products and services (Retail and vulnerable clients) https://www.rabobank.nl/particulieren/toegankelijkheid/		



Corporate governance

Contents

Corporate Governance	148
Report of the Supervisory Board of Rabobank	152

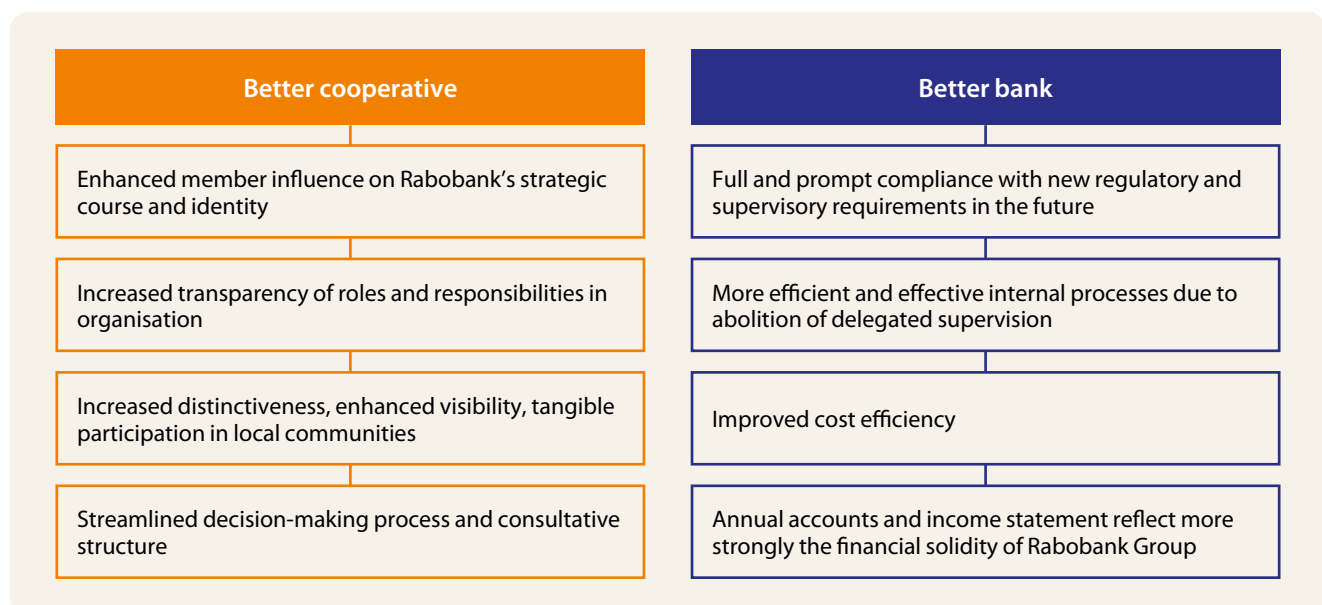
Corporate Governance

2016 was the first year that the new governance structure of Rabobank was operational. Per 1 January 2016 all local cooperative Rabobanks and Rabobank Nederland merged to create one cooperative bank which operates with one banking license and one set of financial statements. The reforms brought changes for member representatives in governance bodies, the Supervisory Board, the Executive Board, as well as staff. At the same time, this fundamental step boosted the awareness that this member-based governance is one of the things that makes us different. A well-functioning governance structure and a healthy banking business enable Rabobank to pursue a strategy that other players cannot mimic. Under these conditions, the operational course will be predominantly focused on servicing the real economy and contributing to the sustainable development of local communities.

The revision process in short

At the beginning of 2014, an internal Governance Committee was assigned the task of formulating a future-proof governance structure. The Committee consisted of representatives of local supervisory bodies and chairmen of local management teams, as well as Executive Board members of Rabobank Nederland. Its ultimate proposals had to satisfy a number of shared principles and rectify various shortcomings in the – working of the – existing framework. The governance revision process took about two years. The figure below illustrates the governance transformation's dual aims of strengthening the cooperative and the bank.

In order to create support for interim proposals and to offer ample room for active participation and co-decision-making, the Committee opted for an intensive and iterative collaborative process with many stakeholders. This method accords with the longstanding tradition of Rabobank to seek broadly accepted solutions to challenging issues in interaction and dialogue with stakeholders. Given the scope and potential impact of the governance adaptations, numerous roundtable discussions, information sessions, webinars and plenary meetings took place to openly discuss all relevant issues and to reach a consensus regarding the most desirable outcomes. A crucial element in this debate was trust and confidence among all stakeholders. It was broadly felt that the cooperative nature had to be firmly anchored in the new structure.



The Governance Committee's approach eventually yielded satisfactory results. Its solid and far-reaching proposals were ultimately approved unanimously by the members' councils of all 106 local Rabobanks on 2 December 2015. The local cooperative banks approved this move one week later in the General Meeting of Rabobank Nederland.

Salient aspects in 2016

All participants in the new governance have to get used to the new structure. The approved new framework must demonstrate its effectiveness and efficiency in practice. In two constituent meetings of the General Members' Council (GMC), technical issues regarding the functioning of the new governance and its procedures were discussed and agreed upon.

The GMC is the highest decision-making body in the new structure. It consists of chairmen of all local supervisory bodies, who have the task of representing the members of their local Rabobanks in the GMC. The GMC has around 100 members and meets at least twice a year. It focuses on the strategy and the identity of Rabobank including the cooperative, local Rabobanks and all other group entities.

The GMC appoints members of the Supervisory Board of Rabobank who appoint and supervises the Executive Board. Both the Supervisory Board and the Executive Board are accountable to the GMC.

During 2016, the GMC also considered the composition of its three permanent committees: the urgency affairs committee, the coordination committee and the committee on confidential matters. The GMC also discussed the required competences for committee members.

On behalf of the members, the GMC safeguards the continuity as well as acts the custodian of collective values. It determines the development of the cooperative and the decentralised organisation and ensures adherence to the Articles of Association. The GMC evaluates the governance and the banking business on the basis of commonly agreed strategic principles.

To perform these functions, the GMC has several formal roles and responsibilities. The GMC has the power to amend the Articles of Association or change the legal status of Rabobank. It adopts the Group's annual accounts and has advise and approval rights for major decisions by the Executive Board. For instance, the GMC determines the basic premises of Rabobank's identity and strategic frameworks and the main points of the annual plan and budget.

The Governance Committee monitors the practical functioning of the new structure. Also, formal evaluations will be carried out periodically by an independent institution to determine whether all bodies are operating according to their envisaged objectives and which aspects could be strengthened. The first edition of the questionnaire investigated the importance the participants attach to the specified functions of the governance bodies and whether they expect that the underlying objectives will really be achieved. The results from this baseline survey indicate that the set-up and purpose of all governance organs are generally well understood.

One particular aspect of the transition to the new regime deserved some further elaboration though: the new associated status of the local supervisory body (LSB). The LSB is appointed by and accountable to its local member council. According to Dutch Corporate Law, LSBs are no longer bodies that supervise an independent legal entity with its own banking licence. Instead the LSB is a body created by the Articles of Association to which the Executive Board has delegated specific local governance powers.

As already mentioned, LSB chairmen are key players in the collective governance as they represent local members in the GMC. At the local level, the LSB supervises the execution of the strategy. In this light, the general state of affairs and (social) performance of the local Rabobank, including its internal financial reporting, must feature periodically on the LSB agenda. This body is authorised to supervise the degree to which the local Rabobank complies with external laws and regulations and the Articles of Association.

Moreover, local supervisors are supposed to actively assess whether the quality of the offered services satisfies the needs of customers and members. They judge the extent to which the local management team chairman satisfies his or her local responsibility to focus on customers' long-term interests and to contribute to the sustainable development of the local and connection with the community. The functional employer's role of the local management team chairman has been delegated to the LSB, too. This responsibility encompasses appointing, assessing and suspending the chairman. The LSB is also authorised to approve a number of important local decisions. Local members are the 'eyes and ears' and act as sparring partner and the LSB must ensure that the local management team chairman duly notes their advice in policy making. Furthermore, the LSB has an advisory role with regard to the local Rabobank management and fulfils a liaison role between local society and the local Rabobank.

The ambition to strengthen Rabobank's cooperative identity is firmly embedded in the overall strategy, but switching to the new regime reinforced our awareness that member engagement and involvement are essential to a cooperative bank. In order to bolster a solid foundation of these characteristics for the future, Rabobank has established a Youth Forum. This body consists of one young member representative from each local Rabobank. A permanent dialogue with this member category is considered very important for the future development of the bank. At the same time, it is a step towards achieving Rabobank's goals for better reflecting diversity in society in its governing bodies, which are still too homogeneous. To achieve more diversity, our corporate governance needs to include more women and young people as well as a wider variety in ethnic and cultural backgrounds. After all, being a meaningful cooperative bank for all members and all of society is one of our key strategic objectives.

To address tactical, operational and policy-related banking issues in the new governance, the Directors' Conference was established. This body is composed of local management team chairmen, the Executive Board and the directors of divisions which support local Rabobanks. The Directors' Conference is a meaningful and influential platform with a preparatory, informative and advisory role for proposals and policies concerning local Rabobanks. The Conference also fulfils a liaison role between the highest echelons of the bank. It is tasked with safeguarding customers' interests and needs. Every meeting of the Conference is devoted to a specific theme of the strategic agenda. This year, the Conference paid considerable attention to proposals regarding 'The Bank of the Future'. Other topics included the integral F&A value chain and Rabobank's role therein as well as Rabobank's contribution to social-economic developments.

External reactions

Rabobank's historic step has attracted considerable outside attention. Some European cooperative bankers, academics and financial analysts have questioned the expressed motives and intentions of the governance reform. Some see the merger as a centralisation in disguise. In their opinion, the new governance will weaken the independent position and autonomy of local Rabobanks. These sceptics fear that the new governance strikes at the very roots of the organisation's cooperative nature.

Indeed, the move to one banking licence has made some activities at local Rabobanks redundant. Merging local back-office activities at the collective level yields efficiency gains for the entire organisation, but unfortunately necessitates a considerable loss of employment. The remaining local staff

will, however, be less burdened with administrative duties. They can now focus more closely on the customer and the market, while intensifying their participatory activities in local communities. Rabobank believes that both elements will reinforce the local orientation rather than weaken it.

Furthermore, it is worth noting that the completely redrafted Articles of Association and internal rules are meant to secure local autonomy. While it is true that the Executive Board now has the ultimate responsibility for the integral banking business (including all activities of local Rabobanks) in the new structure, our internal rules stipulate that local Rabobanks have their own responsibilities. In fact, they have been granted mandates from the Executive Board to safeguard their local orientation and firm anchoring in local communities. Local supervisory bodies as well as local management team chairmen can exercise their authority and responsibility to deliver high quality local banking services. They also have the opportunity to turn the concept of cooperative identity into reality at the local level. Certainly, Rabobank acknowledges that the cooperative identity we hold so dear should be made more visible and tangible in practice. In this respect, we have to do more to live up to our claims regarding local autonomy and independence.

Some European financial cooperatives argue that (inter)national supervisors could view Rabobank's new framework as a blueprint for the governance structures of their own organisations. We cannot speak to the accuracy of this claim, but we do know that all cooperative banks have followed unique evolutionary paths since their establishment many decades ago. Governance changes are time and path dependent. They follow or pre-empt major trends in society and banking. Numerous contextual factors have shaped Rabobank's governance structure – and business model – over the course of time, which also explains why our current governance differs so greatly from that of all other cooperative banking groups in Europe. So, taking unique situations and circumstances into account, Rabobank would not recommend just copying and pasting its governance model onto other cooperative banking groups.

Dutch Corporate Governance Code

The Dutch Corporate Governance Code applies to listed companies and contains principles and best practice provisions for what is generally regarded as good corporate governance. Because of its cooperative structure, Rabobank is not required to comply with the Dutch Corporate Governance Code, but only departs from it on a few points, partly due to its cooperative structure.

➤ For additional information about this, please refer to www.rabobank.com.

Future-oriented banking: The Dutch Banking Code

In 2009 the Dutch Banking Association (DBA) adopted the Banking Code for Dutch banks in order to regain trust in the banking sector. The Banking Code aims to ensure stable, service-oriented and reliable banks for stakeholders by setting out principles of conduct for Dutch banks in terms of corporate governance, risk management, audit and remuneration. The Banking Code took effect on 1 January 2010 on a 'comply or explain' basis.

In 2013, the Committee on the Structure of Dutch Banks (the 'Wijffels Committee') laid significant foundations for the further strengthening of Dutch banks. The Committee published a report focused on the stability of the banking industry and the importance of competition and diversity in Dutch banking. The Committee also called on banks to set out the role they want to play in society.

Following this recommendation, the DBA introduced a Social Charter, including an updated Banking Code, and implemented a bankers' oath (with the associated rules of conduct and disciplinary system). With these actions, Dutch banks, including Rabobank, want to demonstrate what they stand for and what they want to be held accountable for in the ongoing renewal process – as individual banks and as an industry at the heart of the community. The Social Charter, the Banking Code 2015 and the rules of conduct associated with the bankers' oath together form a package called '[Future-oriented Banking](#)'. Rabobank has endorsed the package. For further information about Rabobank's compliance with the Banking Code 2015, please refer to www.rabobank.com.

Report of the Supervisory Board of Rabobank

2016, a year of transition

In 2016 Rabobank began implementing its Strategic Framework 2016-2020. The strategic targets of the bank (see Board Report) imply a fundamental transition for Rabobank. It takes strong leadership to manage such a transition while keeping employees motivated. Fortunately, in 2016 we strengthened the Executive Board with the appointment of two new members: Bas Brouwers and Petra van Hoeken. We further reinforced the Supervisory Board with several new members who possess knowledge and competencies that will help Rabobank face the challenges ahead. This is especially important since the newly implemented governance structure has widened our supervisory scope. The Supervisory Board now overlooks how the Executive Board steers the entire bank, including the local Rabobanks.

The Supervisory Board monitors, challenges and advises the Executive Board on a broad variety of financial, risk, regulatory, compliance, IT/operations and HR themes. In addition to the supervisory and advisory roles, the Supervisory Board acts as employer to Executive Board members and as liaison to Rabobank's stakeholders and society at large.

This review of the activities of the Supervisory Board in 2016 focuses on the four main themes the Executive Board uses to manage all aspects of the current transition process: customer service, performance, engagement and employees. Furthermore, we reflect on the overall performance of the Supervisory Board, its committees and its members.

The supervisory and advisory roles of the Supervisory Board

Customer service

Given our independent role and participation in various networks outside Rabobank, the Supervisory Board is able to share stakeholder questions and concerns with the Executive Board on an ongoing basis. Furthermore, we monitor business developments in general, issues for client sectors facing difficulties and customer satisfaction scores. To obtain better insight into the current and future wishes and needs of our customers the Supervisory Board held an education session on the economic and social trends that can affect our customers, especially our food & agri clients. Recently we have started a debate with the Executive Board and other relevant parties on 'Mission Customer', which aims at strengthening Rabobank's customer proposition based on its values and unique selling points as a cooperative bank.

In 2016, the Supervisory Board was regularly updated on progress made regarding Customer Due Diligence-/Know Your Customer (CDD/KYC) in the Netherlands and abroad. We followed the deliberations closely and discussed the outcome of the CDD audits of Rabobank and DNB at the local Rabobanks and the central Expertise Center. We also monitored mitigating actions of the Executive Board to ensure Rabobank's structural compliance with the rules and regulations regarding CDD.

Another client related topic that required our special attention in 2016 was SME derivatives. The Supervisory Board organised a thematic deep-dive meeting and several additional meetings on SME derivatives. We also discussed ways to be more proactive in dealing with client-related issues.

Performance

The Strategic Framework 2016-2020 contains several financial and risk targets. These include strengthening capital and liquidity buffers, creating a shorter and more flexible balance sheet, consciously weighing risk and return, and improving performance.

In 2016 the Supervisory Board regularly assessed the financial markets, the development of Rabobank's ratings and key financial indicators, including capital ratios and funding position. The financial position of Rabobank was compared to its strategic goals and to the position of peers in the Netherlands and Europe. The Supervisory Board monitored whether Rabobank was operating within the limits of the Balance Sheet Management Mandate 2016. While doing so, the Supervisory Board also reviewed Rabobank's progress in reducing its dependency on wholesale funding.

During regular Supervisory Board meetings and a joint off-site meeting the Executive Board and the Supervisory Board reflected on ways to achieve a smaller and more flexible balance sheet through the pass-through and sale of assets and by being selective in the sectors Rabobank serves. We gave due attention to both the financial aspects and non-financial aspects of such transactions. In the second half of 2016 we agreed to sell the mobility solutions entity Athlon Car Lease International B.V. This transaction has improved the Common Equity Tier One (CET1) ratio of Rabobank, which is in line with Rabobank's ambition to further strengthen its capital position.

At least once a year, the Executive Board and the Supervisory Board deliberate extensively on the risk appetite of Rabobank as a whole and of the commercial entities within Rabobank Group. The Supervisory Board monitors whether Rabobank is operating within set limits and following the right procedures in case a limit is breached. Risk updates are frequently discussed in both Risk Committee and Supervisory Board meetings.

In 2016, the Supervisory Board was informed at least quarterly on the status of Performance Now, Rabobank's large restructuring programme, aimed at enhancing Rabobank's performance by increasing income and reducing costs. The Supervisory Board also receives regular updates on the status of ongoing business cases and projects as well. The Supervisory Board monitored the progress and kept a close eye on actions taken by the Executive Board to mitigate potential transition risks.

Of course keeping Rabobank healthy also entails non-financial aspects such as strong leadership, capable employees, reliable IT-systems and close monitoring and mitigation of a broad spectrum of non-financial risks. In view of this, during the past year, the Supervisory Board (in full or in one of the committees) regularly assessed matters concerning succession planning, talent development and education, safety and availability of IT systems, compliance with (upcoming) rules and regulations, operational incidents, and the follow up of In Control and audit findings. Several audit findings were IT related, with a potential impact on some crucial business cases, the audit committee monitored the actions taken by the Executive Board to ensure an adequate and (more) timely follow-up of audit findings related to IT.

Engagement

By pursuing its dual strategy of Banking for the Netherlands and Banking for Food, Rabobank endeavours to become a more successful and meaningful cooperative bank over the long term.

The Supervisory Board (in full or by means of the Cooperative Issues Committee (CIC)) regularly monitored the progress on these strategies in 2016. We were informed as to the activities of Rabobank Development, Rabobank Foundation and Rabobank International Advisory Services (RIAS). In the Supervisory Board we also approved Arise, a joint venture between Rabobank, Norfund and FMO for Africa, established to reaffirm the long-term commitment of the parties involved to Africa's future development, growth potential and local financial sector.

Supervisory Board members also show their commitment to Rabobank by operating as 'liaison officers' both internally and externally. Individually and as a group we invest in constructive relationships with both internal and external stakeholders like members (General Members' Council), regulators, the external auditor, internal experts and the Works Council of Rabobank. Some facts and figures on several of these contacts are given below.

Employees

In 2016 the HR committee paid regular attention to Rabobank's transition and the impact thereof on employees. The Works Council and individual Rabobank employees had occasion to share their view and feelings on this topic with Supervisory Board members. In 2016, the HR Committee of the Supervisory Board also discussed the organisational culture of Rabobank based on the outcome of the Organisational Health Index (OHI), the vitality of employees, employability, educational efforts, employee participation, the redesign of the performance management system (GROW), talent and management development, various compensation-related issues and the widened scope for diversity (cultural differences and occupational disabilities).

The Supervisory Board as an employer

In 2016 the Supervisory Board appointed a new Chief Financial Officer, Bas Brouwers, and a new Chief Risk Officer, Petra van Hoeken. During a joint off-site meeting the Executive Board and the Supervisory Board reviewed the organisational structure of Rabobank Nederland and the portfolios of the individual Executive Board members. This led to the decision to place Legal and Compliance under management of the CRO instead of the CEO, in order to better accommodate the new Risk Control Framework (RCF). Extensive discussions on management development, talent management and new ways of working led to various new appointments at higher senior management levels in the new structure of Rabobank Nederland.

The Supervisory Board follows a systematic approach to target setting and evaluating members of the Executive Board. The performance of the Executive Board and its individual members is evaluated at least once a year by the Supervisory Board. Ron Teerlink and Marjan Trompetter regularly confer with the individual Executive Board members on their performance. Recently, the Supervisory Board set the 2017 key performance indicators (KPIs) for each individual Executive Board member and for the team as a whole.

In 2016, on the advice of the HR committee, the Supervisory Board approved a limited number of material exceptions to the Group Remuneration Policy. None of these exceptions related to the Executive Board and they were approved in part on the basis of 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.

Composition of the Supervisory Board

Composing a fit and proper team

We make use of an outline profile for the Supervisory Board when deciding on both appointments and reappointments. Based on a succession plan and competence matrix, the Supervisory Board carries out an annual assessment of the outline profile and regularly reviews how the required competences match with current and future tasks and developments.

In 2016, we saw some dedicated and knowledgeable colleagues leave the Supervisory Board. Henk van Dalen, who voluntarily stepped down in November 2015, officially left the Supervisory Board in April 2016. Wout Dekker decided to step down as chairman of the Supervisory Board in mid-2016, at the end of his current appointment term. At the same time, Erik van de Merwe, chairman of the risk committee, also decided to decline a new appointment term. We thank Henk, Wout and Erik for their valuable contributions to the Supervisory Board and to Rabobank in general.

The Appointments Committee of the Supervisory Board prepared for the succession of Wout and Erik. In this process we worked closely together with the committee on confidential matters of the General Members' Council (GMC). After due consideration, vice chairman Ron Teerlink was appointed as chairman and member Marjan Trompetter became the new vice chair. In September and December 2016, the GMC appointed three new members of the Supervisory Board: Jan Nooitgedagt (risk profile), Petri Hofsté (audit profile) and Pascal Visée (profile: international business experience and knowledge of finance and economics). Leo Degle was reappointed as a member. With the appointment of Petri Hofsté, the Supervisory Board meets its own target of having the Supervisory Board consist of at least 30% female members.

The composition of the Supervisory Board as of 31 December 2016 is drafted in the table below and in the [Management section](#) of this Annual Report. Please refer to www.rabobank.com for the profile of the Supervisory Board and the [CV's](#) of its members.

Reflections on our own performance in 2016

In October and November 2016 the Company Secretariat conducted in-depth interviews with members of the Supervisory Board, members of the Executive Board, external auditor and reviewed several direct reports of Executive Board members who are in frequent contact with the Supervisory Board. Questions were asked about, among other things, behavioural and cultural aspects, the contribution of each member, the effectiveness of each member, committee and the whole team, as well as the relationship between the Supervisory Board and the various stakeholders inside and outside Rabobank. The assessment identified several themes on which the Supervisory Board members deliberated in a private session. We emphasised that we always have to question the Executive Board regularly and thoroughly, particularly in duty-of-care cases with potential legal and reputational risks for Rabobank. The outcome of the assessment led us to make some changes in our way of working, namely, by taking a more proactive role in formulating KPIs for the Executive Board members and formulating three to four themes that we specifically want to address in 2017.

Below we present an overview of some facts and figures regarding the activities of the Supervisory Board and its committees in 2016.

Supervisory Board

General task

In the new governance structure, the Executive Board assumes responsibility for the entire Rabobank. In this context, in 2016, the Supervisory Board supervised the policies pursued by the Executive Board and the general course of affairs at Rabobank (the former member banks and Rabobank Nederland) and its affiliates. In addition to its supervisory role, the Supervisory Board serves as an adviser to and employer of the Executive Board. The Supervisory Board members also act as 'liaison officers' for Rabobank by engaging with members, clients and other stakeholders.

Facts & figures

Members on 31 December 2016

- Ron Teerlink, chairman as of 14 September 2016
- Marjan Trompetter, vice chair as of 14 September 2016
- Irene Asscher-Vonk
- Leo Graafsma
- Petri Hofsté, as of 30 December 2016
- Leo Degle
- Arian Kamp
- Jan Nooitgedagt, as of 14 September 2016
- Pascal Visée, as of 14 December 2016
- Henk van Dalen, member until April 2016, inactive since November 2015 (see [Management](#))
- Wout Dekker, chairman until 14 September 2016
- Erik van de Merwe, member until 14 September 2016

Other attendees throughout the year

- Regular attendees:
- EB members
 - Head of Audit Rabobank, Rudi Kleijwegt
 - External auditors PwC

Meetings

- 17 meetings in total, including extra meetings
- Over 95% attendance
- Six sessions for continuing professional education for the entire Supervisory Board
- In addition to these meetings, the Supervisory Board held several private meetings without members of the Executive Board present.

Topics

Regular topics of discussion

- Article 25 of the Articles of Association of the Coöperatieve Rabobank U.A. states the responsibilities of the Supervisory Board, including the decisions that need approval of the Supervisory Board.
- The Supervisory Board discussed some strategic and high-level matters, such as Rabobank's strategy execution and the reliability and continuity of information technology, in addition to the committee subjects mentioned in the tables below.
- Committee discussions are more in-depth. In cases where approval of the Supervisory Board was needed, the relevant committee prepared its advice for the full Board.

Special topics

- In 2016 the Supervisory Board regularly paid attention to the business and compliance organisation of Rabobank in the United States. The Supervisory Board discussed the developments at RNA several times with internal and external experts. In the summer of 2016 a delegation of Supervisory Board members visited the US to speak with US regulators on US governance and US regulatory topics. In our experience such trips enhance mutual understanding and respect.
- In 2016, the Supervisory Board held several extra meetings on SME derivatives.
- Other special items in 2016 were the new organisational structure of Rabobank Nederland, the sale of Athlon and Swap Dealer Registration. This last item will be discussed further in 2017.

Additional comment

- After receiving advice from the committee on confidential matters, the GMC set the remuneration of the members of the Supervisory Board. The remuneration is not dependent on Rabobank results. On 14 September 2016, the GMC agreed to a simplification of the remuneration system for the Supervisory Board, thereby also reducing the total remuneration level.
- See the chapter on [remuneration](#) in this Annual Report.

All Supervisory Board members participate in committees. Below is a list of general tasks, topics, and facts and figures typically discussed by these Supervisory Board committees.

Audit Committee of the Supervisory Board	
General task	
The audit committee assists the Supervisory Board in its oversight of the activities of the Executive Board primarily relating to financial reporting, internal control, compliance and audit, including the following: - the system of internal controls - the financial reporting system and processes - external reporting and the provision of financial information to regulators - compliance with internal codes, relevant legislation and regulations - the scope and activities of internal and external auditors - the follow-up of audit findings and recommendations, and - the functioning of the compliance organisation, internal auditors and external auditors.	
Facts & figures	
Members on 31 December 2016	Other attendees throughout the year
- Leo Graafsma, chairman - Irene Asscher-Vonk - Leo Degle - Petri Hofsté, as of 30 December 2016 - Jan Nootgedagt, as of 14 September 2016 - Ron Teerlink - Marjan Trompetter - Wout Dekker, member until 14 September 2016 - Erik van de Merwe, member until 14 September 2016	Regular attendees: - Wiebe Draijer, Bas Brouwers, Petra van Hoeken - Head of Compliance, Angelique Keijzers - Head of Group Control, Jan Bos - Head and deputy head of Audit Rabobank, Rudi Kleijwegt and Dick Duit - External auditors PwC
Other members of the Supervisory Board frequently attended the meeting as observers	
Meetings	
- There were seven regular meetings and one extra meeting, with over 90% attendance - Two sessions on continuing professional education were held with the members of the risk committee (see overview below on educational efforts)	
Topics	
Regular topics of discussion	
- Annual Report and financial statements for 2015 and Interim report for 2016, including discussions on topics such as the valuation of financial instruments, hedge accounting and the evaluation of equity investments; - Audit Report EY – FY 2015, Board Report PwC – HY 2016; - Allowance for loan losses/impairment of loans and advances to customers; - Legal claims and provisions (litigation, regulatory oversight and client care are also addressed in the risk committee); - Pillar 3 report; - Report on audit findings and Quarterly progress reports on audit findings; - Rabobank 'In Control' and Management Letter (In Control Statement); - Quarterly report Audit Rabobank; - Audit Charter; - Year Plans internal and external auditor; - Independence and costs external auditor; - Quarterly report Compliance; - Compliance Charter; - Year Plan Compliance; - Monthly / Quarterly results Rabobank Group; - Situation on the financial markets and the potential impact thereof on Rabobank; - The development of the rating of Rabobank; - Mid-term Planning and Budget Rabobank Group for the upcoming year; - High-level benchmark comparing Rabobank to its peers; - Tax policy and developments; - Periodic updates on client integrity, privacy, various specific compliance themes and supervisory files.	
Special topics	
- Preparations for the introduction of IFRS 9; - Initial Observations PwC concerning Control / Financial reporting and - ECB on-site inspection Compliance. - The audit committee was involved in the appointment procedure of the new head of Compliance, Angelique Keijzers, and the new head of Audit Rabobank, Rudi Kleijwegt. - In November 2016, the JST/ECB attended a meeting of the audit committee as an observer in the context of the second Thematic review on risk governance and risk appetite (RIGA II). In the beginning of 2017 JST will attend another meeting of the audit committee and a meeting of the risk committee.	
Additional comments	
- In 2015, the former General Meeting appointed PricewaterhouseCoopers Accountants N.V. (PwC) as the external auditor 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, had sufficient resources at its disposal to adequately perform its core duties in 2016. Due to reorganisation and some voluntary staff departures, resourcing is a point of attention. The audit committee and the Supervisory Board will keep a close eye on staffing in 2017. The principles underlying the Audit Plan 2017 will be assessed and externally benchmarked to ensure all necessary audits are in check and can be performed on time. - The ECB/JST performed several on-site investigations in 2016. In the autumn of 2016 the ECB held an on-site investigation on Compliance. ECB observations showed some points for improvement, including the functioning of the audit committee of the Supervisory Board. The ECB stressed that the audit committee must review the Compliance Function in a more structured way at least once a year. Actions have been taken to implement the required improvements.	

Risk Committee of the Supervisory Board

General task

The duties assigned to the risk committee include the supervision of the Executive Board with regard to the risk policy pursued by the Executive Board, risk management and the associated risk profile. This includes the performance of the product approval process and the risks associated with the Rabobank Group's remuneration policy. The risk committee also discusses the financing structure and the policy regarding the adequacy and allocation of capital, liquidity and the short-term and long-term funding in the light of the business strategy and the adopted risk policy.

Facts & figures

Members on 31 December 2016

- Jan Nooitgedagt, chairman as of 14 September 2016
- Leo Degle
- Leo Graafsma
- Ron Teerlink
- Pascal Visée, as of 14 December 2016
- Wout Dekker, member until 14 September 2016
- Erik van de Merwe, chairman until 14 September 2016

Other attendees throughout the year

- Regular attendees:
- Wiebe Draijer, Petra van Hoeken, Bas Brouwers
 - Head of Audit Rabobank, Rudi Kleijwegt
 - External auditors PwC

Other members of the Supervisory Board frequently attended the meeting as observers

Meetings

- There were eight regular meetings and two extra meetings, with over 95% attendance.
- Two sessions on continuing professional education were held with the members of the audit committee (see overview below on educational efforts)

Topics

Regular topics of discussion

- Pillar 3 report;
- Capital plan / the Capital Management Framework;
- Internal Capital Adequacy Assessment Process (ICAAP);
- Internal Liquidity Adequacy Assessment Process (ILAAP);
- Balance Sheet Management Mandate (formerly 'Funding and Capital Mandate');
- Group Risk Policy (update);
- Risk Governance / Risk Committee Structure;
- Group Integrated Risk Assessment (top risk analysis and mitigating factors);
- Group Risk Appetite / Risk Appetite Statements for the upcoming year;
- Risk Charter;
- Integrated Risk Report;
- Risk appetite statement;
- Reports on specific types of risk, such as credit risk, market risk, model risk, operational risk and interest rate scenarios;
- Semi annual risk disclosure;
- Risk Culture;
- Risk Oversight Committee - Regulatory Heatmap and
- Recovery and Resolution Planning.

Special topics

- At the request of the risk committee, special attention was paid to several markets and sectors in 2016. The risk committee also studied periodical reports on data management and data quality. The risk committee monitored the introduction of the new Risk Control Framework (RCF), strengthening the 'Three Lines of Defense' model. The risk committee further discussed the result of various risk related on-site assessments by ECB/DNB.

Additional comment

- The Supervisory Board will explicitly address the topic of product approval and product innovation in an education session in 2017.

Cooperative Issues Committee of the Supervisory Board

General task

The duties assigned to the Cooperative Issues Committee (CIC) include the assessment of the Executive Board's reports on the cooperative organisation and operation of Rabobank. The CIC also devotes specific attention to the sustainability strategy.

Facts & figures

Members on 31 December 2016

- Arian Kamp, chairman as of 14 September 2016
- Irene Asscher-Vonk
- Petri Hofsté, as of 30 December 2016
- Marjan Trompetter
- Ron Teerlink, chairman ad interim until 14 September 2016
- Wout Dekker, member until 14 September 2016

Other attendees throughout the year

- Regular attendees:
- Wiebe Draijer and Rien Nagel
 - Head of the Cooperative & Governance department, Dirk Duijzer and on occasion the head of Sustainability, Bas Rüter

Meetings

- There were three meetings with 100% attendance.

Topics

- In 2016, the CIC reflected extensively on the scope of the CIC and topics to be discussed, given the new governance structure of Rabobank.
- The main duty of the CIC is to assess and strengthen the efforts of the Executive Board regarding Rabobank as a cooperative. In this context, the Executive Board asked the CIC to challenge and provide advice on the realisation of Rabobank's goal of remaining a meaningful cooperative. The CIC deliberated with the Executive Board on questions such as "How can Rabobank be a meaningful cooperative for its stakeholders, adding value for amongst others its members, clients and (the local) community?" and "How can the cooperative structure of Rabobank contribute to the strategy of Rabobank and the way the bank operates?" The CIC tries to link the 'meaningful cooperative' pillar to the strategies Banking for Food and Banking for the Netherlands, considering aspects such as membership, participation, (local) communities, new markets, new technologies and innovation. To get an outside-in perspective, the CIC was informed on the outcome of a meeting with young members of local Rabobanks on their expectations of the bank.
- In addition, the CIC, among others, assessed the functioning of the new governance structure, including the new role of the performance directors ('kringedirecteuren') towards local Rabobanks.
- Finally, the CIC also addressed sustainability topics.

Appointments Committee of the Supervisory Board

General task

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.

Facts & figures

Members on 31 December 2016

- Marjan Trompetter, chair as of 14 September 2016 / vice chair until this date
- Irene Asscher-Vonk
- Arian Kamp
- Ron Teerlink, as of 14 September 2016
- Pascal Visée, as of 14 December 2016
- Wout Dekker, chair until 14 September 2016

Other attendees throughout the year

- Regular attendees:
- Wiebe Draijer
 - Head of Human Resources, Janine Vos

Meetings

- There were four meetings and several private sessions with over 90% attendance.

Topics

Regular topics of discussion

- In general, the Appointments Committee extends advice on personnel changes in the Supervisory Board and the Executive Board based on, respectively, the succession plan and outline profile of the Supervisory Board and assessments of the senior executive management. The Committee also advises the Supervisory Board on the approval of a number of senior management appointments at Rabobank and its affiliates. As part of talent management, the Committee also addressed the subject of (gender) diversity.

Special topics

- During 2016, the activities of the Appointments Committee were mainly driven by changes in the composition of the Supervisory Board (see before), fulfilling the positions of chairman, vice chair and several vacancies in the Board following the voluntary departure of Wout Dekker and Erik van de Merwe. This involved a review of the outline profile of the Supervisory Board, drafting specific profiles for each position, identifying potential candidates and setting up a selection process in close connection with the GMCcommittee on confidential matters in particular.

HR Committee of the Supervisory Board

General task

In 2015 the Remuneration committee of the Supervisory Board changed its scope and name to cover a broader range of HR subjects, including remuneration. The HR Committee supervises the development and implementation of policies regarding employment and 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. 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 periodically at the request of the Supervisory Board.

The HR Committee prepares the yearly discussion on the remuneration policy for the Supervisory Board, which includes: a review of the general principles governing the remuneration policy and a discussion of the remuneration practice within the Rabobank Group for the highest earning employees on the basis of a group-wide report, which, in addition to the fixed and variable remuneration also contains information about the relevant retention, exit and welcome packages within the Rabobank Group. The HR Committee keeps close track of remuneration policies pursued in the external market and advises the Supervisory Board on how to apply the guidelines for the remuneration policy in the banking sector.

Facts & figures

Members on 31 December 2016

- Marjan Trompetter, chair as of 1 April 2016 / member until this date
- Irene Asscher-Vonk, chair ad interim until 1 April 2016
- Arian Kamp
- Ron Teerlink, member as of 14 September 2016
- Pascal Visée, member as of 14 December 2016
- Wout Dekker, member until 14 September 2016

Other attendees throughout the year

- Regular attendees:
- Wiebe Draijer
 - Head of the Human Resources, Janine Vos

Meetings

There were seven meetings with over 90% attendance.

Topics

Regular topics of discussion

- The HR Committee addresses a wide range of HR related topics.
- In 2016 the HR-committee paid attention to diversity, talent development, employability, educational efforts, health, the transition of Rabobank and the impact of redundancy on employees, employee participation and various compensation related issues, among others
- Rabobank pursues a prudent, restrained and sustainable remuneration policy.
- In 2016, on the advice of the HR Committee, the Supervisory Board approved a limited number of material exceptions to the GRP 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 HR Committee discussed the general performance targets for Identified Staff. Please refer to the section on [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 classified as Identified Staff.

Special topics

- The Supervisory Board welcomed initiatives of the Executive Board to set the 'Tone at the top', through leading by example.
- In 2017, (the HR committee of the) Supervisory Board will keep a close eye on follow-up actions of the OHI.

Appeals Committee of the Supervisory Board

General task

The Appeals Committee carries out the preparations for the Supervisory Board's role as an appeals body or binding adviser if a dispute arises between a Local Members' Council, a Local Supervisory Body or a Management Team and the Executive Board.

Facts & figures

Members on 31-12-2016

- Irene Asscher-Vonk, chair
- Leo Graafsma
- Arian Kamp

Other attendees throughout the year

-

Meetings

- No disputes were referred to the Appeals Committee in 2016.

Stakeholder relationships

As Supervisory Board members we consider our liaison officers for Rabobank. In this overview we provide insights into our stakeholder relationships.

Type of stakeholder

Specifics

Contact with members

Members - Next to being loyal customers, our members are our eyes and ears in the local community. They can act as ambassadors for Rabobank, but also question and reflect on the choices and actions taken by Rabobank.

All Supervisory Board members attend meetings of the GMC three to four times a year.

On several occasions members of Supervisory Board Committees concur with or attend meetings of Committees of the GMC. In 2016, due to several changes in the composition of the Supervisory Board, the Appointment Committee had frequent contact with the committee on confidential matters of the GMC.

The chairman or vice chair - visit all eight Regional Member Council meetings per GMC, accompanied by another Supervisory Board member.

The chairman of the Supervisory Board is technical chairman of the GMC and the emergency affairs committee of the GMC.

He attends the meetings of the coordination committee and the committee on confidential matters of the GMC.

The members of the Supervisory Board also visit individual local Rabobanks, conferences and information sessions for local directors and/or members of the Supervisory Boards of the local Rabobanks and, on invitation, meetings of local Rabobank members.

Contact with the external auditor PwC

External auditor - since PwC is able to compare Rabobank's activities to best practices elsewhere in the financial sector, we value highly their outside-in perspective on our organisation and ways of working.

The external auditor attends every meeting of the audit and the risk committee.

At least once a year there is a private session between the Audit Committee and the external auditor.

Regular informal contacts, especially with the chairman of the Supervisory Board and the chairman of the Audit Committee.

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.

Dutch or foreign regulators

Regulators in the Netherlands/Europe and abroad In Holland e.g.: Dutch Central Bank (DNB), the Netherlands Authority for the Financial Markets (AFM) and the Joint Supervisory Team of the ECB and DNB.

The chairman of the Supervisory Board, independently or together with the chairman of the Executive Board, keeps in touch with external regulators.

The vice chair and the chairmen of all committees also meet with members of the Joint Supervisory Team on a regular basis.

On occasion a delegation of Supervisory Board members are in contact with / visit US regulators.

Contact with the Executive Board -members and other Rabobank professionals

The chairman of the Supervisory Board is in close contact with the chairman of the Executive Board and the Chief Financial Officer.

Ongoing

The chairman of the Supervisory Board regularly consults with the internal auditor and the Chief Compliance Officer.

Twelve times per year

Informal audit meeting - Chairman of the Supervisory Board, the chairman of the audit committee, the external auditor and the internal auditor

At least four times per year

Informal risk organisation meeting - the chairman of the risk committee, the Chief Risk Officer and the internal auditor.

Regularly

Informal gatherings or formal meetings (continuous education) with directors, Rabobank specialists or external experts, centred on the exchange of information.

Several times per year

On a rotating basis, members of the Supervisory Board attend meetings of the Works Council as observers.

Several times per year

Local branches and Rabobank clients in the Netherlands and abroad

Mid 2016 a delegation of Supervisory Board members visited some local branches and local clients in the US. Given this positive experience, the Supervisory Board intends to organise one Supervisory Board meeting abroad each year.

On occasion individual members of the Supervisory Board have informally visited (clients of) local Rabobanks, affiliates and meetings of relevant networks in order to stay in touch with the company's core business and client groups.

Sessions for continuing professional education and other training initiatives

Sessions for the Supervisory Board in full:

In 2016, the Supervisory Board met for six plenary sessions within the framework of continuing professional education. These sessions included the following topics:

- 1) Developments in the mortgage market and Rabobank's business strategy for this market.
- 2) Global trends in food & agri business, including genetic modification and the Transatlantic Trade and Investment Partnership (TTIP)
- 3) Regulatory framework regarding resolution and Rabobank's resolution strategy.
- 4) Economic developments.
- 5) Oversight and internal controls (RIGA I).
- 6) Key developments in Banking Law and Regulations.

During these sessions all or nearly all members of the Supervisory Board were present, as well as several members of the Executive Board.

Sessions for the audit and/or risk committee

In 2016 two in-depth educational sessions were held on the subjects of data management and ICAAP/ILAAP/SREP risk control.

Extra's

In November 2016, Vvarious Supervisory Board members attended a financial and economic crime (FEC) training for the Executive Board about compliance culture and FEC laws and regulations.

The newly appointed Supervisory Board members receive an introduction programme consisting of talks with several managers and professionals within Rabobank and visits to several locations and activities of Rabobank, including local Rabobanks.

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 2016 and the financial statements of Rabobank Group, as well as other relevant associated information. The Supervisory Board discussed these documents with the Executive Board, the internal auditor and external auditors (PwC) and took note of the unqualified external auditor's report that PwC issued on the financial statements in 2016.

The Supervisory Board would like to ask the General Members' Council of Rabobank to adopt the financial statements 2016.

Rounding up: A word of appreciation

The Supervisory Board would like to thank all clients of the bank for placing their confidence in Rabobank. We also thank Rabobank's employees for the commitment they have shown and the results they achieved in 2016. We are aware that these times of transition are hard on those who are leaving the bank as well as on those who are staying. This motivates us to be vigilant and ensure to the transition is carried out responsibly and in accordance with the company's moral standards.

We are on our way to realising our collective mission. But we are not quite there yet. We will face more challenges and will inevitably have to keep improving our customer focus and overall performance in the years to come. In our supervisory role, we will do our utmost to serve our stakeholders as best we can.

Utrecht, 8 March 2017

Supervisory Board Rabobank



Consolidated
Financial Statements

Contents

General information	166		
Consolidated statement of financial position	167	28 Subordinated liabilities	226
Consolidated statement of income	168	29 Contingent liabilities	226
Consolidated statement of comprehensive income	169	30 Reserves and retained earnings	227
Consolidated statement of changes in equity	170	31 Rabobank Certificates	228
Consolidated statement of cash flows	171	32 Capital Securities and Trust Preferred Securities III to IV	228
Notes to the consolidated financial statements	172	33 Other non-controlling interests	230
1 Corporate information	172	34 Net interest income	231
2 Accounting policies	172	35 Net fee and commission income	231
3 Solvency and capital management	188	36 Income from investments in associates and joint ventures	231
4 Risk exposure on financial instruments	189	37 Gains/ (losses) on financial assets and liabilities at fair value through profit or loss	231
5 Business segments	207	38 Other net operating income	232
6 Cash and balances at central banks	213	39 Staff costs	232
7 Loans and advances to banks	213	40 Other administrative expenses	233
8 Financial assets held for trading	213	41 Depreciation	233
9 Financial assets designated at fair value	214	42 Loan impairment charges	234
10 Derivatives	214	43 Regulatory levies	234
11 Loans and advances to customers	217	44 Taxes	234
12 Available-for-sale financial assets	218	45 Transactions with related parties	234
13 Investments in associates and joint ventures	218	46 Costs of external auditor	235
14 Goodwill and other intangible assets	220	47 Remuneration of the Supervisory Board and the Executive Board	235
15 Property and equipment	221	48 Main subsidiaries	237
16 Investment properties	221	49 Transfer of financial assets and financial assets provided as collateral	238
17 Other assets	221	50 Structured entities	238
18 Non-current assets held for sale	222	51 Events after the reporting period	240
19 Deposits from banks	222	52 Management report on internal control over financial reporting	240
20 Deposits from customers	222	53 Approval of the Supervisory Board	240
21 Debt securities in issue	222	Independent auditor's report	241
22 Financial liabilities held for trading	223	Independent Auditor's Assurance Report	249
23 Financial liabilities designated at fair value	223		
24 Other liabilities	223		
25 Provisions	223		
26 Deferred taxes	224		
27 Employee benefits	225		

General information

Rabobank is an international financial services provider operating on the basis of cooperative principles. It offers retail banking, wholesale banking, private banking, leasing and real estate services. It serves approximately 8.7 million clients around the world. Rabobank Group is comprised of Coöperatieve Rabobank U.A. (Rabobank) and its consolidated subsidiaries in the Netherlands and abroad. It is committed to making a substantial contribution to welfare and prosperity in the Netherlands and to feeding the world sustainably.

Rabobank puts the interests and ambitions of our customers and members first. With nearly two million members, Rabobank is one of the largest cooperatives in the Netherlands. And our members are more than just customers. They have a voice in deciding the bank's strategic direction.

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Chamber of Commerce number: 30046259

www.rabobank.com

Consolidated statement of financial position

Consolidated statement of financial position				
Amounts in millions of euros	Note	31 December 2016	31 December 2015 ¹	1 January 2015 ²
Assets				
Cash and balances at central banks	6	84,405	64,943	43,409
Loans and advances to banks	7	25,444	32,434	45,962
Financial assets held for trading	8	2,585	3,472	4,279
Financial assets designated at fair value	9	1,321	2,196	4,325
Derivatives	10	42,372	48,113	56,489
Loans and advances to customers	11	452,807	465,993	472,037
Available-for-sale financial assets	12	34,580	37,773	39,770
Investments in associates and joint ventures	13	2,417	3,672	3,807
Goodwill and other intangible assets	14	1,089	1,493	2,059
Property and equipment	15	4,590	7,765	7,148
Investment properties	16	293	381	452
Current tax assets		171	193	211
Deferred tax assets	26	2,360	2,390	2,501
Other assets	17	7,878	7,854	8,502
Non-current assets held for sale	18	281	155	327
Total assets		662,593	678,827	691,278
Liabilities				
Deposits from banks	19	22,006	19,038	18,066
Deposits from customers	20	347,712	345,884	336,409
Debt securities in issue	21	159,342	174,991	189,060
Financial liabilities held for trading	22	739	573	1,324
Financial liabilities designated at fair value	23	16,520	16,991	19,744
Derivatives	10	48,024	54,556	66,236
Other liabilities	24	8,432	8,323	8,228
Provisions	25	1,546	993	794
Current tax liabilities		269	203	228
Deferred tax liabilities	26	618	575	473
Subordinated liabilities	28	16,861	15,503	11,928
Total liabilities		622,069	637,630	652,490
Equity				
Reserves and retained earnings	30	25,821	25,623	24,811
<i>Equity instruments issued by Rabobank</i>				
Rabobank Certificates	31	5,948	5,949	5,931
Capital Securities	32	7,636	7,826	6,349
		13,584	13,775	12,280
<i>Non-controlling interests</i>				
<i>Equity instruments issued by subsidiaries</i>				
Capital Securities	32	185	176	181
Trust Preferred Securities III to IV	32	409	1,131	1,043
Other non-controlling interests	33	525	492	473
		1,119	1,799	1,697
Total equity		40,524	41,197	38,788
Total equity and liabilities		662,593	678,827	691,278

1 Prior-year figures adjusted due to changes in presentation and a restatement (see note 2.1).

2 1 January 2015 is equivalent to 31 December 2014 (as published in the 2015 Consolidated financial statements) after the restatement and changes in presentation (see note 2.1).

Consolidated statement of income

Consolidated statement of income			
	<i>For the year ended 31 December</i>		
<i>Amounts in millions of euros</i>	<i>Note</i>	<i>2016</i>	<i>2015¹</i>
Interest income	34	16,438	17,593
Interest expense	34	7,695	8,454
Net interest income	34	8,743	9,139
Fee and commission income	35	2,177	2,127
Fee and commission expense	35	259	235
Net fee and commission income	35	1,918	1,892
Income from investments in associates and joint ventures	36	106	351
Gains/ (losses) on financial assets and liabilities at fair value through profit or loss	37	547	603
Gains/ (losses) on available-for-sale financial assets	12	87	148
Other net operating income	38	1,404	881
Income		12,805	13,014
Staff costs	39	4,521	4,786
Other administrative expenses	40	3,635	2,916
Depreciation	41	438	443
Operating expenses		8,594	8,145
Impairment losses on goodwill and investments in associates	13,14	700	623
Loan impairment charges	42	310	1,033
Regulatory levies	43	483	344
Operating profit before tax		2,718	2,869
Income tax	44	694	655
Net profit		2,024	2,214
Of which attributed to Rabobank		749	880
Of which attributed to holders of Rabobank Certificates		387	387
Of which attributed to Capital Securities issued by Rabobank		762	794
Of which attributed to Capital Securities issued by subsidiaries		15	15
Of which attributed to Trust Preferred Securities III to IV		47	63
Of which attributed to other non-controlling interests	33	64	75
Net profit for the year		2,024	2,214

1 Prior-year figures adjusted due to changes in presentation (see note 2.1).

Consolidated statement of comprehensive income

Consolidated statement of comprehensive income			
		For the year ended 31 December	
Amounts in millions of euros	Note	2016	2015
Net profit for the year		2,024	2,214
<i>Other comprehensive income transferred to profit or loss if specific conditions are met, net of tax:</i>			
Exchange differences on translation of foreign operations	30	248	31
Changes in the fair value of available-for-sale financial assets	30	24	(75)
Cash flow hedges	30	(31)	(50)
Share of other comprehensive income of associates and joint ventures	30	18	(79)
Other	30	(2)	-
<i>Other comprehensive income not to be transferred to profit or loss, net of tax:</i>			
Remeasurements of post-employee benefit obligations	30	(53)	18
Share of other comprehensive income of associates and joint ventures	30	7	3
Fair value changes due to own credit risk on financial liabilities designated at fair value	30	(365)	-
Other comprehensive income		(154)	(152)
Total comprehensive income		1,870	2,062
Of which attributed to Rabobank		575	738
Of which attributed to holders of Rabobank Certificates		387	387
Of which attributed to Capital Securities issued by Rabobank		762	794
Of which attributed to Capital Securities issued by subsidiaries		15	15
Of which attributed to Trust Preferred Securities III to IV		47	63
Of which attributed to other non-controlling interests		84	65
Total comprehensive income		1,870	2,062

Consolidated statement of changes in equity

Consolidated statement of changes in equity						
			Non-controlling interests			
Amounts in millions of euros	Note	Reserves and retained earnings	Equity instruments issued by Rabobank	Equity instruments issued by subsidiaries	Other	Total
Balance on 1 January 2016		25,623	13,775	1,307	492	41,197
Net profit for the period		1,960	-	-	64	2,024
Other comprehensive income	30	(174)	-	-	20	(154)
Total comprehensive income		1,786	-	-	84	1,870
Payments on Rabobank Certificates		(387)	-	-	-	(387)
Payments on Trust Preferred Securities III to IV		(47)	-	-	-	(47)
Payments on Capital Securities issued by subsidiaries		(15)	-	-	-	(15)
Payments on Capital Securities issued by Rabobank		(829)	-	-	-	(829)
Redemption of Trust Preferred Securities III	32	-	-	(716)	-	(716)
Issue of Capital Securities	32	-	1,250	-	-	1,250
Cost of issue of Capital Securities		-	(9)	-	-	(9)
Redemption of Capital Securities	32	(316)	(1,437)	-	-	(1,753)
Change in Rabobank Certificates during the period		-	(1)	-	-	(1)
Other		6	6	3	(51)	(36)
Balance on 31 December 2016		25,821	13,584	594	525	40,524
Balance on 1 January 2015		24,894	12,280	1,224	473	38,871
Adjustment opening balance ¹		(83)	-	-	-	(83)
Restated amount on 1 January 2015		24,811	12,280	1,224	473	38,788
Net profit for the period		2,139	-	-	75	2,214
Other comprehensive income	30	(142)	-	-	(10)	(152)
Total comprehensive income		1,997	-	-	65	2,062
Payments on Rabobank Certificates		(387)	-	-	-	(387)
Payments on Trust Preferred Securities III to IV		(63)	-	-	-	(63)
Payments on Capital Securities issued by subsidiaries		(15)	-	-	-	(15)
Payments on Capital Securities issued by Rabobank		(787)	-	-	-	(787)
Issue of Capital Securities	31	-	1,500	-	-	1,500
Cost of issue of Capital Securities	32	-	(12)	-	-	(12)
Change in Rabobank Certificates during the period		-	18	-	-	18
Other		67	(11)	83	(46)	93
Balance on 31 December 2015		25,623	13,775	1,307	492	41,197

1 Prior-year figures adjusted due to the restatement (see note 2.1).

Consolidated statement of cash flows

Consolidated statement of cash flows			
		<i>For the year ended 31 December</i>	
<i>Amounts in millions of euros</i>	<i>Note</i>	<i>2016</i>	<i>2015</i>
Cash flows from operating activities			
Operating profit before tax		2,718	2,869
Adjusted for:			
<i>Non-cash items recognised in operating profit before taxation</i>			
Depreciation	41	438	443
Depreciation of operating lease assets and investment properties	15,16	978	1,013
Loan impairment charges	42	310	1,033
Impairment on property and equipment	15	112	-
Result on disposal of property and equipment		(35)	(11)
Income from investments in associates and joint ventures	36	(106)	(351)
Income from disposal of subsidiaries		(242)	(15)
Impairment losses on goodwill and investments in associates	14	700	623
Gains/ (losses) on financial assets and liabilities at fair value through profit or loss	37	(547)	(603)
Gains/(losses) on available-for-sale financial assets	12	(87)	(148)
Provisions	25	1,034	542
Capitalised costs self-developed software and other assets		(102)	(150)
<i>Net change in operating assets</i>			
Loans to and deposits from banks	7, 19, 42	9,958	15,734
Financial assets held for trading	8, 37	1,175	971
Derivatives	10	5,740	8,376
Net change in financial assets and liabilities designated at fair value	9, 23	663	(185)
Loans and advances to customers	11, 42	12,712	2,042
Acquisition of available-for-sale financial assets	12	(5,371)	(6,219)
Proceeds from the sale and repayment of available-for-sale financial assets		8,768	8,431
Dividends received from associates and financial assets		140	75
<i>Net change in liabilities relating to operating activities</i>			
Derivatives	10	(6,531)	(11,680)
Financial liabilities held for trading	22	166	(751)
Deposits from customers	20	1,829	11,305
Debt securities in issue	21	(15,649)	(14,069)
Other liabilities	24	(1)	3
Income tax paid		(321)	(371)
Other changes		2,794	(847)
Net cash flow from operating activities		21,243	18,060
Cash flows from investing activities			
Acquisition of associates net of cash and balances at central banks acquired	13	(75)	(37)
Proceeds from disposal of associates net of cash and balances at central banks		238	44
Proceeds from disposal of subsidiaries net of cash and balances at central banks		1,100	-
Acquisition of property and equipment and investment properties	15, 16	(2,262)	(2,513)
Proceeds from the disposal of property and equipment and investment properties		796	813
Net cash flow from investing activities		(203)	(1,693)
Cash flows from financing activities			
Purchase of Rabobank Certificates	31	(357)	(980)
Sale of Rabobank Certificates		356	998
Issue of Capital Securities (including costs)		1,241	1,488
Redemption of Trust Preferred Securities III		(716)	-
Payments on Rabobank Certificates, Trust Preferred Securities III to IV and Capital Securities		(1,128)	(1,252)
Payments on Senior Contingent Notes		(86)	(86)
Redemption of Capital Securities	32	(1,437)	-
Proceeds from the issue of subordinated liabilities		1,417	2,966
Redemption of subordinated liabilities		(63)	(3)
Net cash flow from financing activities		(773)	3,131
Net change in cash and balances at central banks		20,267	19,498
Cash and balances at central banks at the beginning of the year		64,943	43,409
Exchange rate differences on cash and balances at central banks		(805)	2,036
Cash and balances at central banks at the end of the year		84,405	64,943
The cash flows from interest are included in the net cash flow from operating activities			
Interest received		16,587	17,693
Interest paid		7,697	8,702

Notes to the consolidated financial statements

1 Corporate information

As of 1 January 2016, the 106 local Rabobanks and Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. were legally merged and the name of Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. was changed to Coöperatieve Rabobank U.A. The legal merger has no impact on the consolidated figures as the local Rabobanks have always been consolidated in the Rabobank Group financial statements.

The Consolidated financial statements of Rabobank includes the financial information of Coöperatieve Rabobank U.A. and that of the group companies.

2 Accounting policies

The primary accounting policies used in preparing these consolidated financial statements are set out below.

2.1 Basis of preparation

The consolidated financial statements of Rabobank have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The consolidated financial statements have been prepared on the basis of the accounting policies set out in this section. Unless otherwise stated, assets and liabilities are accounted for on the historical cost basis and all amounts in these financial statements are in millions of euros.

New and amended standards issued by the IASB and adopted by the European Union, that are applicable to the current financial year

Early adoption of a specific part of IFRS 9 on fair value of financial liabilities designated at fair value through profit or loss

According to paragraph 7.1.2 of IFRS 9 ('Financial Instruments'), an entity may early adopt the requirement to present changes in the fair value of financial liabilities designated at fair value through profit or loss that are attributable to changes in credit risk in other comprehensive income ('OCI'). Rabobank has elected to early adopt this requirement in IFRS 9 for the own credit adjustment included in the valuation of financial liabilities designated at fair value through profit or loss, which

mainly consists of the structured notes portfolio. Excluding fair value changes resulting from changes in own credit risk from the statement of income means that Rabobank will no longer report profits or losses when the creditworthiness of Rabobank changes. As a result of early adopting this requirement in IFRS 9, the fair value changes resulting from own credit risk are accounted for in OCI in equity (net of tax) as opposed to the statement of income. When financial liabilities designated at fair value through profit or loss are derecognised (for instance due to buy-backs) the cumulative own credit risk adjustment remains in equity and is reclassified from OCI to retained earnings at the end of each reporting period, without being recycled to the statement of income.

The early adoption to report own credit adjustment on financial liabilities designated at fair value through profit or loss in OCI has been applied by Rabobank as from 1 January 2016. Comparative figures have not been restated. Differences have been recorded in the opening balance sheet as at 1 January 2016 as follows:

Impact of early adoption of IFRS 9 at 1 January 2016	
<i>Amounts in millions of euros</i>	
Revaluation reserve – Fair value changes due to own credit risk on financial liabilities designated at fair value	
Closing balance as at 31 December 2015	-
Reclassification from retained earnings	62
Opening balance as at 1 January 2016	62
Retained earnings	
Closing balance as at 31 December 2015	25,399
Reclassification of own credit adjustment on financial liabilities designated at fair value	(62)
Opening balance as at 1 January 2016	25,337

In 2016 Rabobank recognised a loss of 365 (net of tax) in OCI relating to fair value changes in financial liabilities designated at fair value through profit or loss resulting from changes in own credit risk. As a result net profit in 2016 would have decreased by 365 if Rabobank would not have elected to early adopt this element of IFRS 9. In 2016 0 has been reclassified from OCI to retained earnings as a result of derecognition of financial liabilities designated at fair value through profit or loss. There were no other changes to the classification and measurement of financial liabilities designated at fair value.

Improvements to International Financial Reporting Standards cycle 2012-2014

On 25 September 2014, the International Accounting Standards Board (IASB), in the context of its periodic improvement process, which is intended to streamline and clarify standards, proceeded to publish the Annual improvements in International Financial Reporting Standards cycle 2012-2014 ('the annual improvements'). The objective of the improvements is to address non-urgent, but necessary issues, discussed by the IASB during the project cycle, on areas of inconsistencies in International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) or ambiguous wording. These improvements became effective on 1 January 2016 and have no impact on profit or equity.

Amendments to IAS 1: Disclosure initiative

The purpose of the amendments was to achieve a more efficient provision of information and to encourage companies to seek professional advice for determining which information needs to be provided in the annual financial statements when they apply IAS 1. This amendment became effective on 1 January 2016 and has no impact on profit or equity.

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation

On 12 May 2014, the International Accounting Standards Board (IASB) published amendments to IAS 16 Tangible fixed assets and to IAS 38 Intangible assets. These amendments were introduced under the title Clarification of acceptable depreciation methods. As there are various different practices, it needs to be clarified whether it is appropriate to implement methods based on revenues for the calculation of the depreciation of an asset. This amendment became effective on 1 January 2016 and has no impact on profit or equity.

Amendments to IFRS 10, IFRS 12 and IAS 28: Investment entities: Applying the Consolidation Exception

These are narrow-scope clarifications of guidance, specifically related to investment entities. Because Rabobank is not an investment entity these amendments do not have an effect on the consolidated financial statements.

Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations

These amendments offer new guidelines on the administrative processing of an acquisition of an interest in a joint business operation, where this operation of the joint business operation constitutes a company. This amendment became effective on 1 January 2016 and has no impact on profit or equity.

New and amended standards issued by the International Accounting Standards Board (IASB) and adopted by the European Union which do not yet apply in the current financial year

IFRS 9 Financial Instruments

In July 2014, the IASB published IFRS 9 Financial Instruments as the replacement for IAS 39 Financial Instruments: Recognition and Measurement. The new standard becomes effective on 1 January 2018 and is endorsed by the EU on 22 November 2016. IFRS 9, in particular the impairment requirements, will lead to significant changes in the accounting for financial instruments.

Classification and measurement

Financial assets are classified and measured in two ways: how Rabobank manages them, and the type of contractual cash flows in these assets. Both are used to determine whether the financial assets are included at amortised cost, fair value with adjustments in the values thereof processed through other comprehensive income (FVOCI), or through the profit and loss account (FVTPL). In many cases, the classification and measurement will be in line with IAS 39, but may deviate with respect to embedded derivatives and equity instruments. There are almost no changes in the processing of financial liabilities with the exception of certain liabilities at fair value where the results have to be included in other comprehensive income because of changes to Rabobank's own credit risk. Rabobank has elected to early adopt this specific part of IFRS 9 on fair value of financial liabilities designated at fair value through profit or loss.

Impairments - Requirements

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

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

Impairments – Differences with current IAS 39 methodology

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

Impairments – Key concepts and their implementation at Rabobank

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

a) Methodology to determine expected credit losses (ECLs)

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

b) Stage determination criteria

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

Impairments – Expected impact

With the introduction of IFRS 9, allowance levels are expected to increase due to the addition of Stage 1 and Stage 2 categories which are recognised on financial instruments that did not previously meet the criteria for having an allowance assigned under IAS 39. This subsequently also leads to a decrease in equity (net of income tax). However, the increase in allowance levels due to the addition of Stage 1 and 2 is offset by the release of the current IAS 39 allowance for Incurred But Not Reported (IBNR) losses, which partly compensates the overall increase. Rabobank is currently still in the process of developing ECL models. At this point in time these are not yet completed and validated for the majority of the portfolio it is currently not possible to make a reliable estimate on the quantitative impact of IFRS 9 on profit or equity at adoption date. We expect to disclose a quantitative impact on IFRS 9 in our 2017 Interim Financial Statements.

Impairments – Expected impact - Capital Planning

As IFRS equity, including retained earnings, is the basis for determining Common Equity Tier 1 (CET1) any decrease in IFRS equity is also expected to have a negative impact on Common Equity Tier 1. However, for Advanced-IRB banks the relationship between IFRS Equity and Common Equity Tier 1 is effected by the current regulations on the 'IRB Expected Loss Shortfall'. This IRB shortfall represents the difference between 1) the provisions determined for accounting purposes and 2) the provisions (or expected losses) determined under the IRB approach. Where (1) is lower than (2) a Shortfall exists and

an additional deduction is made from IFRS equity in order to arrive at Common Equity Tier 1. Note, the reason for a IRB Shortfall lies to a large extent in the conservatism applied in the IRB approach, such as applying economic downturn factors to collateral values (also named Loss Given Default Downturn Factor). The decrease in IFRS Equity (due to the introduction of IFRS 9) and the resulting impact that this decrease has on Common Equity Tier 1 is partly compensated by the corresponding lower IRB shortfall deduction. For Rabobank the IRB shortfall is expected to limit the impact on Common Equity Tier 1 – based on the 2016 IRB Shortfall levels and the end 2016 general economic environment.

The regulations regarding the regulatory treatment of accounting provisions, including the phase-in of a negative capital impact, are currently being revisited by the Basel Committee for Banking Supervision.

Hedge accounting - Requirements

Hedge accounting is an option IFRS offers to mitigate P&L swings caused by measurement and classification differences between granted loans and issued debt measured at amortised cost, assets measured on fair value through OCI (hedged items) and relating hedging derivatives measured at fair value through P&L (hedging derivatives).

The assets and liabilities measured at amortised cost are revalued for the fair value changes due to the hedged risk. For assets measured at fair value through OCI the fair value changes due to the hedged risk on the assets recognised in OCI is reclassified to P&L. In a cash flow hedge the fair value changes of the derivative are booked in the cash flow hedge reserve (effective part only).

Hedge accounting – Differences with current IAS 39 methodology

The main differences between IAS 39 and IFRS 9 for micro hedge accounting are that IFRS 9 does not permit voluntary de-designation of the hedge relationship and does not prescribe a specific effectiveness testing range anymore (IAS 39: 80-125%). Additionally IAS 39 does not have a specific accounting solution for hedge accounting with cross-currency swaps (currency basis) when used as hedging instruments, while IFRS 9 does. Under IFRS 9 the currency basis spreads are considered as costs of hedging and fair value changes caused by currency basis spread can be recognised through OCI.

Hedge accounting – Expected impact

At the moment Rabobank is in the process of exploring whether to continue with IAS 39 or to move on to IFRS 9 for the micro hedge accounting to benefit from the specific treatment of currency basis in IFRS 9 per 1 January 2018. We expect to

be able to designate more effective micro hedge accounting relationships with cross currency swaps under IFRS 9 and reduce the P&L volatility caused by currency basis, which will be recorded in OCI.

IFRS 9 does not offer a solution for portfolio hedge accounting and Rabobank will use the option IFRS 9 provides to continue to apply IAS 39 for portfolio hedge accounting.

Application

The rules governing classification, measurement and impairments will be applied retrospectively by amending the opening balance sheet on 1 January 2018. There is no obligation to amend the comparative figures.

IFRS 15 Revenue from Contracts with Customers

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

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

IFRS 16 Leases

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

IFRS 14 Regulatory Deferral Accounts

The European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard.

Other amendments to IFRS

There have been minor amendments to IFRS 2, IFRS 15, IAS 12 and IAS 7.

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

Other changes in accounting principles and presentation

Changes in presentation

IAS 32 'Financial Instruments: Presentation' prescribes that a financial asset and a financial liability shall be offset when there is a simultaneous legally enforceable right to set off and an 'intention to settle on a net basis'. Rabobank has both the legally enforceable right (by contract) to set off the amounts under a notional cash pooling arrangement as well as the intention to settle on a net basis. IFRS is principle based and does not prescribe how the intention to settle on a net basis is evidenced. Rabobank applies certain practices to evidence that the requirement of 'intention to settle net' is met. In April 2016, an Agenda Rejection Notice was published by the IFRS Interpretations Committee ('IFRIC') on balance sheet offsetting of notional cash pooling products. The issue relates to the question whether certain cash pooling arrangements would meet the requirements for offsetting under IAS 32. The IFRIC provided further clarification that the transfer of balances into a netting account should occur at the period end to demonstrate an intention to settle on a net basis. As a result of the Agenda Rejection Note, the comparable figures have been adjusted by reversing the netting that took place in 2015. The Loans and advances to customers and Deposits from customers have been increased by EUR 8,291 million per December 2015 and EUR 10,121 million per 1 January 2015. In the second half 2016 Rabobank re-assessed its cashpooling contracts also in light of the IFRIC clarification and the IFRS requirements around unit of accounts. This analysis showed that the contracts qualify for unit of accounts accounting. The amount involved as per 31 December 2016 is EUR 4,989 million.

Structured inventory products have been reclassified from other assets to loans to customers as per 31 December 2015 for an amount of EUR 418 million. This change results in a better alignment with the extent to which the risks and rewards of the underlying commodities are transferred.

The results on sale of group companies are classified as other net operating income. The comparative figures have been adjusted. The income from investments in associates and joint ventures changed from EUR 366 million to EUR 351 million and the other net operating income changed from EUR 866 million to EUR 881 million.

The other fee and commission income and expenses as per 31 December 2015 were each adjusted by EUR 50 million. The net fee and commission income remained unchanged. Insofar as other insights prompted reclassifications, the comparative figures have been adjusted accordingly.

Adjustments in the opening balance of equity as at 1 January 2015

As at 31 December 2015, receivables were overstated by an amount of EUR 110 million that had been reported as income in years prior to 2013. In accordance with IAS 8, Reserves and retained earnings as at 1 January 2015 have been adjusted retrospectively, from EUR 24,894 million to EUR 24,811 million and Loans and advances to customers have been reduced by EUR 110 million and Current tax liabilities have been reduced by EUR 27 million as at 31 December 2015.

Adjustment	
<i>Amounts in millions of euros</i>	<i>1 January 2015</i>
Total equity before adjustment	38,871
Decrease in loans and advances to customers	(110)
Decrease in current tax liabilities	27
Total equity after adjustment	38,788

Going concern

The Executive Board considers it appropriate to adopt the going concern basis of accounting in preparing these consolidated financial statements.

Judgements and estimates

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

The accounting principles listed below require critical estimates that are based on assessments and assumptions. Although management estimates are based on the most careful assessment of current circumstances and activities on the basis of available financial data and information, the actual results may deviate from these estimates.

Loan impairment allowance

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

- Specific allowances for individual impaired loans;

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

The detailed approach for each category is further explained in section 2.15 'Loans and advances to customers and banks'. Loan impairment allowances are recognised where there is objective evidence that not all amounts due under the original terms of the contract may be recoverable. Determining an allowance requires a significant degree of judgement, based on management's evaluation of the risks in the loan portfolio, the current economic circumstances, credit losses in previous years, and developments in financial credits, business sectors, business concentrations and geopolitical factors. Changes in management judgement formulation and further analyses may lead to changes in the magnitude of loan impairment allowances over time. Uncertainty is inherent in determining objective evidence of reduced creditworthiness and in determining the magnitude of the recoverable amounts and these involve assessing a variety of assumptions and factors regarding the creditworthiness of borrowers, the expected future cash flows and the value of collateral. See section 7 'Loans and advances to banks' and section 11 'Loans and advances to customers' for an analysis of the loan impairment allowances on loans to customers and banks.

Fair value of financial assets and liabilities

Information regarding the determination of the fair value of financial assets and liabilities is included in paragraph 4.9 'Fair value of financial assets and liabilities' and paragraph 10 'Derivatives'.

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

Goodwill and other intangible assets are assessed for impairment – at least once a year – by comparing the recoverable value to the carrying amount, while investments in associates and joint ventures are tested for impairment when specific triggers are identified. The determination of the recoverable amount in an impairment assessment of these assets requires estimates based on quoted market prices, prices of comparable businesses, present value or other valuation techniques, or a combination thereof, necessitating management to make subjective judgments and assumptions. Because these estimates and assumptions could result in significant differences to the amounts reported if underlying circumstances were to change, these estimates are considered to be critical. The important assumptions for determining recoverable value of goodwill are set out in Section 14 and for investments in associates and joint ventures are set out in Section 13.

Taxation

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

Other provisions

In applying IAS 37 judgement is involved in determining whether a present obligation exists and in estimating the probability, timing and amount of any outflows. More information on judgements regarding the provision for SME derivatives and the restructuring provision is included in section 25 Provisions.

The consolidation of structured entities is a critical estimate that requires judgement and is described in section 50 Structured entities.

2.2 Consolidated financial statements

2.2.1 Subsidiaries

The participating interests over which Rabobank has control are its subsidiaries (including structured entities) and these are consolidated. Control is exercised over a participating interest if the investor is entitled to receive variable returns from its involvement in the participating interest and has the ability to influence these returns through its control over the participating interest. The assets, liabilities and profit and loss of these companies are fully consolidated.

Subsidiaries are consolidated as from the date on which Rabobank acquires effective control and subsidiaries are de-consolidated as of the date on which this control is ceded. Transactions, balances and unrealised gains and losses on transactions between and among Rabobank Group and its subsidiaries are eliminated on consolidation.

Joint and several liability (cross-guarantee system)

Under the Dutch Financial Supervision Act (Wet op het financieel toezicht), various legal entities owned by Rabobank are jointly and severally liable under an Internal intra-group mutual keep well arrangement that requires the participating entities to provide the funds necessary should any participant not have sufficient funds to settle its debts.

As at 31 December 2016, the participants are:

- Coöperatieve Rabobank U.A., Amsterdam
- Rabohypotheekbank N.V., Amsterdam
- Raiffeisenhypotheekbank N.V., Amsterdam
- De Lage Landen International B.V., Eindhoven
- De Lage Landen Financiering B.V., Eindhoven
- De Lage Landen Trade Finance B.V., Eindhoven
- De Lage Landen Financial Services B.V., Eindhoven

On 1 January 2016, the local Rabobanks and Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. entered into a legal merger and the name of Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. was changed to Coöperatieve Rabobank U.A.

2.2.2 Investments in associates and joint ventures

Investments in associates and joint ventures are initially recognised at cost and subsequently accounted for using the equity method of accounting. Its share of post-acquisition profits and losses are recognised in the income statement and its share of post-acquisition movements in reserves are recognised directly in other comprehensive income. The cumulative post-acquisition movements are included in the carrying amount of the investment.

Associates are entities over which Rabobank can exercise significant influence and in which it generally holds between 20% and 50% of the voting rights but does not have control. A joint venture is an agreement between one or more parties under which the parties jointly have control and are jointly entitled to the net assets under the agreement. Unrealised profits on transactions between Rabobank and its associates and joint ventures are eliminated in proportion to Rabobank's interest in the respective associates and joint ventures. Unrealised losses are also eliminated unless the transaction indicates that an impairment loss should be recognised on the asset(s) underlying the transaction.

Investments in associates include the goodwill acquired. Where the share of an associate's losses is equal to or exceeds its interest in the associate, losses are recognised only where Rabobank has given undertakings to, or made payments on behalf of, the associate.

2.3 Derivatives and hedging

General

Derivatives generally comprise foreign exchange contracts, currency and interest rate futures, forward rate agreements, currency and interest rate swaps and currency and interest rate options (written or acquired). Derivatives are recognised at fair

value determined on the basis of listed market prices (with mid-prices being used for EUR, USD and GBP derivatives that have a bid-ask range), prices offered by traders, discounted cash flow models and option valuation models based on current market prices and contract prices for the underlying instruments and reflecting the time value of money, yield curves and the volatility of the underlying assets and liabilities. Derivatives are included under assets if their fair value is positive and under liabilities if their fair value is negative. If their risks and characteristics are not closely related to those of the underlying non-derivative host contract and the contract is not classified as at fair value, derivatives that are embedded in other financial instruments are bifurcated and measured separately with unrealised profits and losses being recognised in profit and loss in 'Gains/ (losses) on financial assets and liabilities at fair value through profit or loss'.

Instruments not used for hedging

Realised and unrealised gains and losses on derivatives for trading purposes are recognised at fair value in 'Gains/ (losses) on financial assets and liabilities at fair value through profit or loss'.

Hedging instruments

Derivatives are used for asset and liability management of interest rate risks, credit risks and foreign currency risks. Rabobank makes use of the IAS 39 EU carve-out options, which allow the application of fair value portfolio hedge accounting to certain positions.

At the time of inception, derivatives are designated as one of the following: (1) a hedge of the fair value of an asset, a group of assets or a liability in the statement of financial position (fair value hedge); (2) a hedge of future cash flows allocable to an asset or liability in the statement of financial position, an expected transaction or a firm commitment (cash flow hedge); or (3) a hedge of a net investment in a foreign operation (net investment hedge). Hedge accounting is applied for derivatives designated in this manner provided that certain criteria are met, including the following:

- There must be formal documentation of the hedging instrument, the hedged item, the objective of the hedge, the hedging strategy and the hedge relationship and this must be in place before hedge accounting may be applied;
- The hedge must be expected to be effective, within 80% to 125%, in covering changes in the hedged item's fair value or the cash flows allocable to the hedged risks during the entire reporting period; and
- The hedge must be continuously effective from the moment of its inception.

Changes in the fair value of derivatives that are designated as fair value hedges and are effective in terms of the hedged risks are recognised in the statement of income in 'Gains/ (losses) on financial assets and liabilities at fair value through profit or loss', together with the corresponding changes in the fair values of the assets or liabilities hedged.

As and when the hedge no longer meets the criteria for hedge accounting (applying the fair value hedge model), the cumulative adjustment to the fair value of a hedged interest-bearing financial instrument is amortised through profit and loss over the relevant interest repricing period.

Hedges of net investments in foreign operations are measured at fair value, with changes in the fair value (to the extent that they are effective) being recognised in other comprehensive income. Changes in the hedged equity instrument resulting from exchange-rate fluctuations are also recognised in other comprehensive income. Gains and losses accumulated in other comprehensive income are reclassified to profit or losses when the equity instrument is disposed of.

Changes in the fair value of derivatives that are designated (and qualify) as cash flow hedges and that are effective in relation to the hedged risks are recognised in the hedging reserve included in other comprehensive income (see Section 10). Ineffective elements of the changes in the fair value of derivatives are recognised in the statement of income.

If a forecast transaction or a recognised liability results in the recognition of a non-financial asset or liability, any deferred profits or losses included in other comprehensive income are transferred to the initial carrying amount (cost) of the asset or liability. In all other cases, deferred amounts included in other comprehensive income are taken to the statement of income as income or expense in the periods in which the hedged recognised liability or the forecast transaction was recognised in the statement of income.

Although there are economic hedges under Rabobank's managed risk positions, certain derivative contracts do not qualify for hedge accounting under the specific IFRS rules and are therefore treated as derivatives held for trading purposes. Interest on derivatives held for economic hedging purposes are shown under interest income, both the receive and pay leg of the derivative. The fair value of derivatives held for trading and hedging purposes is disclosed in Section 10.

2.4 Financial assets and liabilities held for trading

Financial assets held for trading are financial assets acquired with the objective of generating profit from short-term

fluctuations in prices or trading margins or they are financial assets that form part of portfolios characterised by patterns of short-term profit participation. Financial assets held for trading are recognised at fair value based on listed bid prices and all realised and unrealised results therefrom are recognised under 'Gains/ (losses) on financial assets and liabilities at fair value through profit or loss'. Interest earned on financial assets is recognised as interest income. Dividends received from financial assets held for trading are recognised as 'Gains/ (losses) on financial assets and liabilities at fair value through profit or loss'.

Financial liabilities held for trading are mainly negative fair values of derivatives and delivery obligations that arise on the short selling of securities. Securities are sold short to realise gains from short-term price fluctuations. The securities needed to settle short sales are acquired through securities lending and repurchasing agreements. Securities sold short are recognised at fair value on the reporting date.

2.5 Other financial assets and liabilities designated at fair value

On initial recognition, certain financial assets (including direct and indirect investments in venture capital and excluding assets held for trading) and certain liabilities are included as 'Financial assets and liabilities at fair value through profit or loss' where any of the following criteria are met:

- This accounting eliminates or substantially reduces any inconsistent treatment that would otherwise have arisen upon measurement of the assets or liabilities or recognition of profits or losses on the basis of different accounting policies;
- The assets and liabilities belong to a group of financial assets and/or financial liabilities that are managed and assessed on the basis of their fair value in accordance with a documented risk management or investment strategy; or
- The financial instrument contains an embedded derivative, unless the embedded derivative does not significantly affect the cash flows or if it is evident that separate recognition is not required.

Interest earned and due on such assets and liabilities is recognised as interest income and expense, respectively. Other realised and unrealised gains and losses on the revaluation of these financial instruments to fair value are included under 'Gains/ (losses) on financial assets and liabilities at fair value through profit or loss' except for fair value changes due to own credit risk of financial liabilities designated at fair value. These fair value changes after tax are presented in other comprehensive income under line item 'Fair value changes due to own credit risk on financial liabilities designated at fair value'.

2.6 Day 1 gains

When using fair value accounting at the inception of a financial instrument, any positive difference between the transaction price and the fair value (referred to as 'day 1 gain') is accounted for immediately under 'Gains/ (losses) on financial assets and liabilities at fair value through profit or loss' where the valuation method is based on observable inputs from active markets. In all other cases, the entire day 1 gain is deferred and accounted for as 'Other liabilities'. After initial recognition the deferred day 1 gain is recognised as a gain to the extent it results from a change in a factor (including time effects).

2.7 Available-for-sale financial assets

Financial assets are classified on the date of acquisition, with the classification dependent on the purpose for which the investments are acquired. Financial assets are classified as available for sale if they are intended to be held for an indefinite period of time and could be sold for liquidity purposes or in response to changes in interest rates, exchange rates or share prices.

Available-for-sale financial assets are initially recognised at fair value, including transaction costs, based on quoted bid prices or at values derived from cash flow models. The fair values of unlisted equity instruments are estimated on the basis of appropriate price/earnings ratios, adjusted to reflect the specific circumstances of the respective issuer. Any unrealised gains and losses from changes in the fair value of available-for-sale financial assets are recognised in other comprehensive income unless they relate to amortised interest or exchange rate differences on monetary assets, in which case they are taken through profit and loss. As and when such financial assets are disposed of, the adjustments to fair value are transferred to the statement of Income.

Debt instruments are impaired if there are objective indications that the fair value has fallen to such a degree that it is reasonable to assume that the value will not recover to the carrying amount in the foreseeable future. On each reporting date, management determines whether there are objective indications of impairment of available-for-sale assets. Examples of objective evidence of impairment are:

- Significant financial difficulties on the part of the issuer
- Default in making interest or redemption payments
- Disappearance of active markets for the financial asset due to financial difficulties.

In the event of impairment, the cumulative loss is determined as the difference between cost and current fair value, reduced by any previously recognised impairment. This is transferred from the revaluation reserves in other comprehensive

income to the statement of income. If the impairment of a debt instrument subsequently reverses and the reversal can objectively be attributed to an event after the impairment, the impairment is reversed through the statement of income.

Equity instruments are impaired if cost (initial recognition) is unlikely to be recovered in the long term or if there is a significant or prolonged decline in the fair value below its cost. The recoverable amount and/or fair value of investments in unlisted equity instruments are determined using generally accepted valuation methods. The recoverable amount of listed financial assets is determined on the basis of market value. Impairment of equity instruments is never subsequently reversed through the statement of income.

2.8 Repurchase agreements and reverse repurchase agreements

Financial assets that are sold subject to related sale and repurchase agreements are included in the financial statements under 'Financial assets held for trading' or 'Available-for-sale financial assets', as applicable. The liability to the counterparty is included under 'Deposits from banks' or 'Deposits from customers', as applicable.

Financial assets acquired under reverse sale and reverse repurchase agreements are recognised as 'Loans and advances to banks' or 'Loans and advances to customers', as applicable. The difference between the sales and repurchasing prices is recognised as interest income/expense over the term of the agreement using the effective interest method.

2.9 Securitisations and (de)recognition of financial assets and liabilities

Recognition of financial assets and liabilities

Purchases and sales of financial assets and liabilities classified as fair value through profit or loss and available-for-sale financial assets which are required to be delivered within a regulatory-prescribed period or in accordance with market conventions are recognised on the transaction date. Financial instruments carried at amortised cost are recognised on the settlement date.

Securitisations and derecognition of financial assets and liabilities

Rabobank securitises, sells and carries various financial assets. Those assets are sometimes sold to a special purpose entity (SPE) which then issues securities to investors. Rabobank has the option of retaining an interest in these assets in the form of subordinated interest-only strips, subordinated securities, spread accounts, servicing rights, guarantees, put and call options or other constructions.

A financial asset (or a portion thereof) is derecognised where:

- The rights to the cash flows from the asset expire;
- The rights to the cash flows from the asset and substantially all the risks and rewards of ownership of the asset are transferred;
- A commitment has been made to transfer the cash flows from the asset and a substantial portion of the risks and rewards have been transferred; or
- Not substantially all the risks and rewards are transferred but where control over the asset is not retained.

A financial liability or a part thereof is derecognised if it ceases to exist, i.e. after the contractual obligation has been fulfilled or cancelled or has expired. Continuing involvement is recognised if Rabobank neither retains nor transfers substantially all the risks and rewards and control has retained. The asset is recognised to the extent of Rabobank's continuing involvement in it.

Where a transaction does not meet these conditions for derecognition, it is recognised as a loan for which security has been provided. To the extent that the transfer of a financial asset does not qualify for derecognition, Rabobank's contractual rights are not separately recognised as derivatives if recognition of these instruments and the transferred asset, or the liability arising from the transfer, were to result in the double recognition of the same rights and obligations.

Profits and losses on securitisations and sale transactions depend partly on the carrying amounts of the assets transferred. The carrying amounts of these assets are allocated to the interests sold and retained using the relative fair values of these interests on the date of sale. Any gains and losses are recognised through profit and loss at the time of transfer. The fair value of the interests sold and retained is determined on the basis of listed market prices or as the present value of the future expected cash flows based on pricing models that involve a number of assumptions regarding, for instance, credit losses, discount rates, yield curves, payment frequency and other factors.

2.10 Cash and balances at central banks

Cash equivalents are highly liquid short-term assets held to meet current cash obligations rather than for investment or other purposes. These assets have terms of less than 90 days from inception. Cash equivalents are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value.

2.11 Offsetting financial assets and liabilities

Where there is legal right to offset recognised amounts and it is intended to settle the expected future cash flows on a net basis or to realise the asset and settle the liability simultaneously, financial assets and liabilities are offset and the net amount is recognised in the statement of financial position. This relates mainly to current accounts and derivatives. The offsetting of taxes is addressed in Paragraph 2.24.

2.12 Foreign currency

Foreign entities

Transactions and balances included in the financial statements of individual entities within Rabobank Group are reported in the currency that best reflects the economic reality of the individual entity's underlying operating environment (the functional currency).

The consolidated financial statements are presented in euros, which is the parent company's functional currency. The statements of income and cash flows of foreign operations are translated into Rabobank's presentation currency at the exchange rates prevailing on the transaction dates, which approximate the average exchange rates for the reporting period, and the statements of financial position are translated at the rates prevailing at the end of the reporting period. Exchange differences arising on net investments in foreign operations and on loans and other currency instruments designated as hedges of these investments are recognised in other comprehensive income. On sale of a foreign operation, these translation differences are transferred to the statement of income as part of the profit or loss on the sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are recognised as the assets and liabilities of the foreign entity, and are translated at the rate prevailing at the end of the reporting period.

Foreign-currency transactions

Transactions in foreign currencies are translated into the functional currency at the exchange rates prevailing on the transaction dates. Differences arising on the settlement of transactions or on the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of income and differences that qualify as net investment hedges are recognised in other comprehensive income. Translation differences on debt securities and other monetary financial assets carried at fair value are included under foreign exchange gains and losses. Translation differences on non-monetary items such as equity instruments held for trading are recognised as part of the fair value gains or losses.

Translation differences on non-monetary available-for-sale items are included in the revaluation reserves for available-for-sale financial assets.

2.13 Interest

Interest income and expense arising on interest-bearing instruments is recognised in the statement of income on an accruals basis using the effective interest method. Interest income includes coupons relating to fixed interest financial assets and financial assets held for trading, as well as the cumulative premiums and discounts on government treasury securities and other cash equivalent instruments. Impaired loans are written down to their recoverable amounts, and interest income thereon is recognised, based on the discount rate used in the original calculation of the present value of future cash flows (excluding future credit losses) for determining the recoverable amounts. Interest on derivatives held for economic hedging purposes are shown under interest income, both the receive and pay leg of the derivative. This amount is presented as negative interest income because the net interest-risk position of the banking book is a long receiver-position.

2.14 Fees and commissions

Rabobank earns fee and commission income from a diverse range of services it provides to its customers. Commissions earned for the provision of services are generally recognised on an accrual basis. Commission received for negotiating a transaction or for involvement in negotiations on behalf of third parties (for example the acquisition of a portfolio of loans, shares or other securities or the sale or purchase of companies) is recognised upon completion of the underlying transaction.

2.15 Loans and advances to customers and loans and advances to banks

Loans and advances to customers and banks are non-derivatives with fixed or definable payments and are not listed on an active market, except for assets that Rabobank classifies as held for trading or that were initially recognised at fair value and for which value adjustments are recognised in the statement of income or as available-for-sale financial assets. Loans and advances to customers and banks are initially recognised at fair value (including transaction costs) and thereafter at amortised cost (including transaction costs).

Loans are subject to either individual or collective impairment analyses. A loan impairment allowance is recognised if there is objective evidence that not all amounts due under the original terms of the contract will be recoverable. The amount of the allowance is the difference between the carrying amount and the recoverable amount (the present value of expected

future cash flows), including any expected interest income and repayments and amounts recoverable under guarantees and securities discounted to present value at the original effective interest rate. For individual impaired loans a specific allowance is determined and for retail exposures a collective assessment is made if it is not economically justified to recognise the loss on an individual basis. In these cases the collective assessment is made based on homogenous groups of loans with a similar risk profile with the purpose of identifying the need to recognise an allowance for loan losses.

Examples of objective evidence for value adjustments are the following:

- Significant financial difficulties on the part of the borrower
- Default in making interest and/or redemption payments on the part of the borrower
- Loan renegotiations
- Potential bankruptcy of, or financial reorganisation, within the borrower
- Changes in the borrower's payment history
- Changes in economic circumstances that could cause the borrower to default.

Losses are estimated on the basis of the borrowers' credit ratings and the value of the collateral provided and reflecting the economic environment in which the borrowers operate. The carrying amount of loans is reduced by allowances based on the most-likely-case scenarios, and losses are recognised in the statement of income. The assets and impairment allowances are eliminated as and when the foreclosure process has been completed, the security provided has been realised, virtually no other means of recovery are available and in the event of any formal cancellation of debt. Any amounts subsequently collected are included in 'Loan impairment charges' in the statement of income. Expected future cash flows on renegotiated loans are regularly monitored for ongoing validity.

Non-performing loans are loans that meet at least one of the following criteria:

- Loans that are past due by more than 90 days;
- It is likely that the borrower will default on all or part of the debt (including principal, interest and fees) if the bank were not to enforce its security interests, irrespective of the amount or period of the delay of payments.

As and when prospects for continuity recover and delays on payment have been cleared as previously agreed, the loan is no longer considered impaired and the impairment is reversed.

A general provision is made for impairment in the remaining element of the portfolio which has not been specifically

identified as impaired within the bank's risk systems (IBNR; incurred but not reported). Basel II parameters, adjusted to the IFRS guidelines and to current developments, are used to determine the provision, together with what is known as the Loss Identification Period (LIP), the period between the occurrence of a loss event and the recording of the event in the bank's risk systems. The LIP is expressed in months and varies between portfolios.

Exposures classified as corporate exposures under Capital Requirements Directive CRD IV are measured in accordance with the 'one debtor' principle. This principle requires that the approved limit for a debtor applies to the sum of all exposures (including derivatives, guarantees and the like) of the debtor group into which the debtor has been classified. Debtor groups include all debtors that are part of the economic entity with which the borrower is affiliated, including any majority shareholders of the economic entity. The 'one debtor' principle applies across all entities and group divisions.

2.16 Goodwill and other intangible assets

Goodwill

Goodwill is the amount by which the acquisition price paid for a subsidiary exceeds the fair value on the date on which the share of net assets and contingent liabilities of the entity was acquired. With each acquisition, the other non-controlling interests are recognised at fair value or at its share of the identifiable assets and liabilities of the acquired entity. Tests are performed annually, or more frequently if indications so dictate, to determine whether there has been impairment.

Other intangible assets, including software development costs

Costs directly incurred in connection with identifiable and unique software products over which Rabobank has control and that will likely provide economic benefits exceeding the costs for longer than one year are recognised as other intangible assets. Direct costs include the personnel costs of the software development team, financing costs and an appropriate portion of the relevant overhead.

Expenditures that improve the performance of software as compared with their original specifications are added to the original cost of the software. Software development costs are recognised as other intangible assets and amortised on a linear basis over a period not exceeding five years. Costs related to the maintenance of software are recognised as an expense at the time they are incurred.

Other intangible assets also include those identified through business combinations, and they are amortised over their expected useful lives.

Impairment losses on goodwill

Goodwill is allocated to cash-generating units for the purpose of impairment testing, which is undertaken at the lowest level of assets that generate largely independent cash inflows. During the fourth quarter of each financial year, or more frequently if there are indications of impairment, goodwill is tested for impairment and any excess of carrying amount over recoverable amount is provided. The recoverable amount is the higher of the value in use and the fair value less selling costs. The value in use of a cash flow generating unit is determined as the present value of the expected future pre-tax cash flows of the cash flow generating unit in question. The key assumptions used in the cash flow model depend on the input data and they reflect various judgemental financial and economic variables, such as risk-free interest rates and premiums reflecting the risk inherent in the entity concerned. Impairments of goodwill are included under 'Impairment losses on goodwill' in the statement of income.

Impairment losses on other intangible assets

At each reporting date, an assessment is made as to whether there are indications of impairment of other intangible assets. If there are such indications, impairment testing is carried out to determine whether the carrying amount of the other intangible assets is fully recoverable. The recoverable amount shall be estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash generating unit to which the asset belongs is determined. An impairment loss is recognised if the carrying amount exceeds the recoverable amount. Impairment losses and impairment reversals are included in 'Other administrative expenses' in the statement of income.

2.17 Property and equipment

Property and equipment for own use

Property for own use consists mainly of office buildings and is recognised at cost less accumulated depreciation and impairment, as is equipment for own use. Assets are depreciated to their residual values over the following estimated useful lives:

Property	
- Land	Not depreciated
- Buildings	25 - 40 years
Equipment	
- Computer equipment	1 - 5 years
- Other equipment and vehicles	3 - 8 years

An annual assessment is made as to whether there are indications of impairment of property and equipment. If the carrying amount of an asset exceeds its estimated recoverable amount, the carrying amount is written down to

the recoverable amount. Impairment losses and impairment reversals are included under 'Other administrative expenses' in the statement of income. Gains and losses on the disposal of property and equipment are determined on the basis of their carrying amounts and are recognised in operating results.

Repair and maintenance work is charged to the statement of income at the time the costs are incurred. Expenditures to extend the economic life or increase the economic value of land and buildings as compared with their original economic value are capitalised and subsequently depreciated.

2.18 Investment properties

Investment properties, primarily office buildings, are held for their long-term rental income and are not used by Rabobank or its subsidiaries. Investment properties are recognised as long-term investments and included in the statement of financial position at cost net of accumulated depreciation and impairment. Investment properties are depreciated to their residual values over an estimated useful life of 40 years.

2.19 Other assets

Structured inventory products

Rabobank offers several products that relate to financing commodities. Some of these products are recognised as loans with commodities as collateral, others as loans with embedded derivatives and others as commodities. The classification is mainly dependent on the transfer of risk and rewards of the commodity from the client to Rabobank.

Building sites and equalisation funds

Building sites are carried at cost, including allocated interest and additional expenses for purchasing the sites and making them ready for construction or, if lower, the net realisable value. Interest is not recognised in the statement of financial position for land which has not been zoned for a particular purpose if there is no certainty that the land will be built on. Possible downsides that depend on a future change of designated use of the relevant land are not included in the cost of land, but are included in the determination of the net realisable value. The net realisable value of all building sites is reviewed at least once a year or if there are any indications an earlier review. The net realisable value for building sites is the direct realisable value or, if higher, the indirect realisable value. The direct realisable value is the estimated value upon sale less the estimated costs for achieving the sale. The indirect realisable value is the estimated sale price within the context of normal operations less the estimated costs of completion and the estimated costs necessarily incurred to realise the sale, in which respect the expected cash flows are discounted at the weighted average cost of capital. The calculation of the indirect realisable

value is based on an analysis of scenarios that includes as many site-specific aspects and company-specific parameters and conditions as possible. A downward revaluation is recognised if the carrying value exceeds the realisable value.

The equalisation funds relate to building rights purchased from third parties recognised in the statement of financial position, as well as building rights which arose on the sale of building sites to municipal authorities or other parties, and these are stated as the balance of the cost of the sites and the sales proceeds. The equalisation funds, which are stated net of any necessary depreciations, should be recovered from future building projects.

Work in progress

Work in progress concerns sold and unsold commercial property projects, as well as sold and unsold residential projects under construction or in preparation. Work in progress is carried at the costs incurred plus allocated interest or, if lower, the net realisable value. If the project qualifies as an agreement for the construction of real estate commissioned by a third party, the result is also recognised in work in progress according to the stage of completion. Expected losses on projects are immediately deducted from the work in progress. If the buyer has no or only limited influence, but the risk is gradually transferred to the buyer during construction, the result is also recognised in work in progress according to the stage of completion. If there is no such gradual transfer of risk, the result is recognised on the date of completion. Progress instalments invoiced to buyers and principals are deducted from work in progress. If the balance of a project is negative (progress instalments invoiced exceed the costs recognised in the statement of financial position), the balance of that project, including any provision for the project, is transferred to 'Other liabilities'.

The carrying amount of unsold work in progress is annually reviewed for indications of any decline in value. If there is such an indication, the indirect realisable value of the work in progress is estimated; in most cases this is done by means of an internal or external appraisal. The indirect realisable value is the estimated sale price within the context of normal operations less the estimated costs of completion and the estimated costs necessarily incurred to realise the sale. A downward value adjustment is recognised if the carrying value exceeds the expected indirect realisable value, to the extent that this difference must be borne by Rabobank.

Finished properties

Unsold commercial and residential properties developed in-house are carried at cost or, if lower, the net realisable value. The net realisable value of finished properties is reviewed at least once a year or if there are any indications for an earlier

review. For finished properties, the net realisable value is generally equal to the direct realisable value, which is mostly determined by means of an internal or external appraisal. A downward value adjustment is recognised if the carrying value exceeds the expected direct realisable value, to the extent that the difference must be borne by Rabobank.

2.20 Leasing

Rabobank as lessee

Leases relating to property and equipment under which virtually all risks and rewards of ownership vest with Rabobank are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased assets and the present value of the minimum lease payments. Lease payments are apportioned between the lease liability and the finance charges so as to achieve a constant rate of interest on the remaining balance of the liability. The corresponding lease liabilities are included under 'Other liabilities' after the deduction of finance charges. The interest components of the finance charges are charged to the statement of income over the term of the lease. A tangible fixed asset acquired under a lease agreement is depreciated over the shorter of the useful life of the asset and the term of the lease.

Leases under which a considerable portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Operating lease payments (less any discounts granted by the lessor) are charged to the statement of income on a linear basis over the term of the lease.

Rabobank as lessor

Finance leases

A finance lease is recognised as a receivable under 'Loans and advances to banks' or 'Loans and advances to customers', as applicable, at an amount equal to the net investment in the lease. The net investment in the lease is the present value of the nominal minimum lease payments and the unguaranteed residual value. The difference between the gross investment and the net investment in the lease is recognised as unearned finance income. Lease income is recognised as interest income over the term of the lease using the net investment method, which results in a constant rate of return on the investment.

Operating leases

Assets leased under operating leases are included in the statement of financial position under 'Property and equipment'. The assets are depreciated over their expected useful lives in line with those of comparable items of property and equipment. Rental income (less write-downs and discounts granted to lessees) is recognised under 'Other net operating income' on a linear basis over the term of the lease.

2.21 Provisions

Provisions are recognised for obligations (both legal and constructive) arising as a result of a past event where it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If Rabobank expects a provision to be reimbursed, for example under an insurance policy, the reimbursement is recognised as a separate asset but only if the reimbursement is virtually certain. The provisions are carried at the discounted value of the expected future cash flows. The additions to and releases of provisions are recognised in the statement of income under 'Other administrative expenses'.

Restructuring

Restructuring provisions comprise payments under redundancy schemes and other costs directly attributable to restructuring programmes. These costs are recognised during the period in which the legal or actual payment obligation arises, a detailed plan has been prepared for redundancy pay and there are realistic expectations among the parties concerned that the reorganisation will be implemented.

Tax and legal issues

The provision for tax and legal issues is based on the best estimates available at the end of the reporting period, taking into account legal and tax advice. The timing of the cash outflow of these provisions is uncertain because the outcome of the disputes and the time involved are unpredictable.

Other provisions

Other provisions include provisions for onerous contracts, credit guarantees and obligations under the terms of the deposit guarantee scheme.

2.22 Employee benefits

Rabobank has various pension plans in place based on the local conditions and practices of the countries in which it operates. In general, the plans are financed by payments to insurance companies or to trustee administered funds determined by periodic actuarial calculations. A defined benefit pension plan is one that incorporates an obligation to pay an agreed amount of pension benefit, which is usually based on several factors such as age, number of years' service and remuneration. A defined contribution plan is one in which fixed contributions are paid to a separate entity (a pension fund) with no further legal or constructive obligation on the part of the employer should the fund have insufficient assets to settle its obligations to employee-members of the plan.

Pension obligations

The obligation under defined benefit pension plans is the present value of the defined benefit pension obligation at the end of the reporting period reduced by the fair value of the fund investments. The defined benefit obligation is calculated annually by independent actuaries based on the projected unit credit method. The present value of the defined benefit obligation is determined as the estimated future outflow of cash funds based on the interest rates of high-quality corporate bonds with terms that approximate those of the corresponding obligation. The majority of pension plans are career-average plans. The costs of these plans (being the net pension charge for the period after deducting employee contributions and interest) are included under 'Staff costs'. Net interest expense/income is determined by applying the discount rate at the beginning of the reporting period to the asset or liability of the defined benefit pension plan.

Actuarial gains and losses arising from events and/or changes in actuarial assumptions are recognised in the statement of comprehensive income.

Defined contribution plans

Under defined contribution plans, contributions are paid into publicly or privately managed pension insurance plans on a compulsory, contractual or voluntary basis. These regular contributions are recognised as expense in the year in which they are due and they are included under 'Staff costs'.

Other post-employment obligations

Some of Rabobank's business units provide other post-employment benefits. To become eligible for such benefits, the usual requirement is that the employee remains in service until retirement and has been with the company for a minimum number of years. The expected costs of these benefits are accrued during the years of service, based on a system similar to that for defined benefit pension plans. The obligations are calculated annually by independent actuaries.

Variable remuneration

Variable remuneration payable unconditionally and in cash is recognised in the year in which the employee renders the service. Conditional cash remuneration is included, on a straight line basis, in staff costs in the statement of income over the period of the year in which the employee's services are received and the remaining three years of the vesting period (i.e. over four years). The liability is recognised in 'Other liabilities'. The accounting treatment of payments based on equity instruments is disclosed in Paragraph 2.23.

2.23 Equity instrument-based payments

For certain identified staff, remuneration for services rendered is settled in the form of cash payments based on equity instruments that are similar to, and have the same characteristics as, Rabobank Certificates. The costs of the services received are based on the fair value of the equity instruments on the award date and are restated annually to fair value at the time. The costs related to the award of equity instruments during the period of the employee's contract are included in staff costs in the statement of income over the period of the year of award and the remaining three years of the vesting period of the equity instruments (i.e. over four years). The liability is recognised in other liabilities.

2.24 Tax

Current tax receivables and payables are offset where there is a legally enforceable right to offset and where simultaneous treatment or settlement is intended. Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset and where they relate to the same tax authority and arise within the same taxable entity.

Provisions are made, using the liability method, for deferred tax liabilities arising on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. These temporary differences arise primarily on depreciation of tangible fixed assets, revaluation of certain financial assets and liabilities (including derivatives), provisions for pensions and other post-employment benefits, provisions for loan losses and other impairment, tax losses and fair value adjustments to net assets acquired in business combinations. Deferred income tax assets and liabilities are measured at the tax rates that have been enacted or substantively enacted as at the reporting date.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the losses can be utilised.

Provisions are made in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, unless the timing of the reversal of the temporary differences is within Rabobank's control and it is probable that the temporary differences will not reverse in the foreseeable future.

Taxes on profit are calculated in accordance with the tax legislation of the relevant jurisdictions in which Rabobank operates and are recognised as an expense in the period in which the profit is realised. The tax effects of loss carry forwards

are recognised as an asset if it is probable that future taxable profits will be available against which the losses can be utilised.

Deferred tax assets and liabilities are recognised on the revaluation of available-for-sale financial assets and cash flow hedges that are taken directly to other comprehensive income. When realised, they are recognised in the income statement at the same time as the respective deferred gain or loss is recognised.

2.25 Deposits from banks, deposits from customers and debt securities in issue

These borrowings are initially recognised at fair value, being the issue price less directly allocable and non-recurring transaction costs, and thereafter at amortised cost including transaction costs.

Own debt instruments that are repurchased are derecognised, with the difference between the carrying amount and the consideration paid being recognised in the income statement.

2.26 Rabobank Certificates

The proceeds of the issue of Rabobank Certificates are available to Rabobank in perpetuity and are subordinate to all liabilities and to the Trust Preferred Securities and the Capital Securities. As the payment of distributions is wholly discretionary, the proceeds received and dividends paid on them are recognised in equity.

2.27 Trust Preferred Securities and Capital Securities

As there is no formal obligation to (re)pay the principal or to pay a dividend, the Trust Preferred Securities and Capital Securities are recognised as 'Equity' and dividends paid on these instruments are recognised directly in equity.

2.28 Financial guarantees

Financial guarantee contracts require the issuer to compensate the holder for losses incurred when the debtor fails to meet its obligations under the terms of the related debt instrument. The guarantees are initially recognised at fair value and subsequently measured at the higher of the discounted best estimate of the obligation under the guarantee and the amount initially recognised less cumulative amortisation.

2.29 Segmented information

A segment is a discrete operating component that is subject to risks and returns that differ from those of other segments or operating components and that is viewed and managed as a separate and discrete component for Rabobank's strategic and operating management purposes. Rabobank uses the business segmentation as its primary management and reporting framework, with the geographic segmentation as its secondary framework.

2.30 Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is determined as the monetary amount (or equivalent) agreed for the acquisition of the business combination plus any direct costs of acquisition. Goodwill represents the difference between the cost of the acquisition and acquirer's share of the fair value of the Identifiable assets, liabilities and conditional assets and liabilities acquired. Goodwill is capitalised and recognised as an intangible asset. The non-controlling interest is also determined as the fair value or its share of the identifiable net assets of the company acquired. Direct acquisition costs are charged directly to the statement of income on acquisition.

2.31 Disposal groups classified as held for sale and discontinued operations

Assets that have been classified as held for sale are written down to their fair value, reduced by the estimated costs of sale, where this is lower than the carrying amount. An asset (or group of assets) is classified as held for sale when it is very likely that its economic value will be realised primarily through sale rather than through continued use, the asset (or group of assets) is fully available for sale in its current condition, management has committed itself to a plan to sell the asset, and the sale is expected to be completed within one year of its classification as held for sale. If a group of assets classified as held for sale represents a key business activity or key geographic region, it is classified as discontinued operations and recognised outside comprehensive income arising from continuing operations.

2.32 Cash flow statement

Cash and balances at central banks include cash resources, money market deposits and deposits at central banks. The cash flow statement is prepared using the indirect method and provides details of the source of the cash and balances at central banks that became available during the year as well as their application during the year. The net pre-tax cash flow from operating activities is adjusted for non-cash items in the statement of income and for non-cash changes in items in the statement of financial position.

The statement presents separately the cash flows from operating, investing and financing activities. Cash flows from operating activities include net changes in loans and receivables, interbank deposits, deposits from customers and debt securities in issue. Investment activities include acquisitions, disposals and repayment of financial investments and acquisitions and disposals of subsidiaries and property and equipment. Financing activities include issues and repayments

of Rabobank Certificates, Trust Preferred Securities, Capital Securities, Senior Contingent Notes and subordinated liabilities.

The difference between the net change presented in the statement of cash flows and the change in cash and balances at central banks included in the statement of financial position is due to exchange differences.

3 Solvency and capital management

Rabobank aims to maintain a proper level of solvency. For this purpose a number of solvency ratios are utilised. The principal ratios are the common equity tier 1 ratio (CET1), the tier 1 ratio, the total capital ratio and the equity capital ratio. Rabobank uses its own internal objectives that extend beyond the minimum requirements of the supervisors. It takes market expectations and developments in legislation and regulations into account. Rabobank manages its solvency position based on policy documents. The solvency position and the objectives are periodically reviewed by the Risk Management Committee and the Asset Liability Committee of the Executive Board and the Supervisory Board.

The 'Capital Requirements Regulation (CRR)' and 'Capital Requirements Directive IV (CRD IV)' together constitute the European implementation of the Basel Capital and Liquidity Accord of 2010. These rules, which became effective on 1 January 2014, are applied by Rabobank.

Rabobank must comply with a number of minimum solvency positions as stipulated under law. The solvency position is determined on the basis of ratios. These ratios compare the qualifying capital (total capital ratio), the tier 1 capital (tier 1 ratio) and the core capital (common equity tier 1 ratio) with the total of the risk-adjusted assets. Effective 1 January 2014, the minimum required percentages are determined on the basis of CRD IV/CRR. The legal buffers below are applicable as from 2016. These buffers will gradually increase until the year 2019. Rabobank is already allowing for these changes in its capital planning. The table below shows the minimum legal buffers based on the planned final situation under CRD IV/CRR.

Minimum capital buffer				
		<i>CET 1</i>	<i>Tier 1</i>	<i>Total capital</i>
Pillar 1		4.5%	6.0%	8.0%
Pillar 2		1.75%	1.75%	1.75%
Capital conservation buffer ¹	2016-2019	2.5%	2.5%	2.5%
Systemic risk buffer ¹	2016-2019	3.0%	3.0%	3.0%
Countercyclical buffer ¹	2016-2019			0% - 2.5%

Risk-weighted assets are determined based on separate and distinct methods for each of the credit, operational and market risks. For credit risk purposes, the risk-weighted assets are determined in several ways dependent on the nature of the asset. For the majority of assets the risk weighting is determined by reference to internal ratings and a number of characteristics specific to the asset concerned. For off-balance sheet items the balance sheet equivalent is calculated firstly on the basis of internal conversion factors and the resulting equivalent amounts are then also assigned risk-weightings. For operational risk purposes, an Advanced Measurement Approach model is used to determine the amount of risk-weighted assets. In the market risk approach, the general market risk is hedged, as are the risks of open positions in foreign currencies, debt and equity instruments and commodities. The transitional CRR provisions have been reflected in the ratios set out below.

Rabobank Group's ratios		
<i>in millions of euros</i>	<i>2016</i>	<i>2015</i>
Retained earnings	25,709	25,482 ²
Expected dividends	(60)	(126)
Rabobank Certificates	5,948	5,949
Part of non-controlling interests treated as qualifying capital	25	23
Reserves	112	224
Deductions	(3,302)	(5,539)
Transition guidance	1,186	2,741
Common Equity Tier 1 capital	29,618	28,754
Capital Securities	2,728	1,488
Grandfathered instruments	5,462	6,373
Non-controlling interests	5	5
Deductions	(91)	(76)
Transition guidance	(643)	(1,492)
Tier 1 capital	37,079	35,052
Part of subordinated liabilities treated as qualifying capital	16,094	15,078
Non-controlling interests	7	6
Deductions	(99)	(85)
Transition guidance	(208)	(596)
Qualifying capital	52,873	49,455
Risk-weighted assets	211,226	213,092
Common Equity Tier 1 ratio	14.0%	13.5%
Tier 1 ratio	17.6%	16.4%
Total capital ratio	25.0%	23.2%
Equity capital ratio ³	15.0%	14.7%

1 These buffers will phase in during the years 2016-2019.

The countercyclical buffer is capped at a maximum of 2.5%. In most countries, including the Netherlands, the countercyclical buffer for 2016 has been set at 0%.

2 Differs from the amount of retained earnings as reported in note 30 due to the prior year adjustment of 83 in the 2015 IFRS equity opening balance (see note 2.1)

3 The equity/capital ratio is calculated by comparing the items retained earnings and Rabobank Certificates to the risk-weighted assets.

The deductions consist mostly of goodwill, other intangible fixed assets, deferred tax liabilities which depend on future profit, the IRB shortfall for credit risk adjustments and adjustments relating to cumulative profits due to changes in the bank's credit risk on instruments issued at market value (FVPL). In accordance with CRR, a number of deductions are adjusted in the 'Transition guidance', as these adjustments are being phased in over the period 2014-2018. The 'Transition guidance' consists mainly of goodwill, other intangible non-current assets, deferred tax liabilities depending on future profits (i.e. non-temporary differences) and the IRB shortfall for credit-risk adjustments.

The additional tier 1 instruments issued by Rabobank prior to 2015 do not comply with the new CRR requirements. They are being 'grandfathered'. This means that these instruments will be phased out of solvency ratios, in line with the regulatory requirements.

4 Risk exposure on financial instruments

4.1 Risk organisation

Rabobank Group manages risks at various levels within the organisation. At the highest level, the Executive Board (under the supervision of the Supervisory Board) determines the risk strategy it will pursue, the risk appetite, the policy framework as well as the limits. The Supervisory Board regularly assesses the risks attached to the activities and portfolio of Rabobank Group. The Chief Risk Officer, as Member of the Executive Board, is responsible for the risk management policy within Rabobank Group.

Risk appetite

Identifying and managing risks for its organisation is an ongoing process at Rabobank. For this purpose an integrated risk management strategy is applied. The risk management cycle includes determining risk appetite, preparing integrated risk analyses, and measuring and monitoring risk. Throughout this process Rabobank uses a risk strategy aimed at continuity and designed to protect profitability, maintain solid balance-sheet ratios and protect its identity and reputation.

4.2 Strategy for the use of financial instruments

Rabobank's activities are inherently related to the use of financial instruments, including derivatives. As part of the services it offers, Rabobank takes deposits from customers at varying terms and at both fixed and variable interest rates. Rabobank attempts to earn interest income by investing these funds in high-value assets as well as by making loans to commercial and retail borrowers. Rabobank also aims to increase these margins through a portfolio approach of short-

term funds at lower interest rates and the allocation to loans for longer periods at higher interest rates, maintaining sufficient cash resources in hand to meet obligations as they fall due. Rabobank improves its interest income by achieving rental margins after deduction of provisions and by issuing loans with a variety of credit ratings and inherent risk profiles. Not only is Rabobank exposed to credit risk on the on-balance sheet loans, it is also exposed to credit risk on the off-balance sheet guarantees it provides, such as letters of credit, letters of performance and other guarantee documents.

4.3 Credit risk

Credit risk is the risk that a counterparty is unable to meet a financial or other contractual obligation vis-à-vis the bank. Credit risk is inherent to granting loans. Positions in tradeable assets such as bonds and shares are also subject to credit risk. Rabobank restricts its credit risk exposure by setting limits for loans to an individual counterparty, or a group of counterparties, as well as for loans to countries. The four-eyes principle is also a key factor when granting loans. A multi-level committee structure is put in place to make decisions on major loan applications. The competent committee is chosen on the basis of the size of the loan. Decisions on the largest loans are made by the highest level committee, the Central Credit Committee Rabobank Group (CCCRG).

The credit risk exposure relating to each individual borrower is further restricted by the use of sub-limits to hedge amounts at risk, not all of which are disclosed in the statement of financial position, and the use of daily delivery risk limits for trading items such as forward currency contracts. Most of the resulting items are tested against the limits every day.

Once a loan has been granted, it is continually subject to credit management as part of which new information, financial and other, is reviewed. The credit limits are adjusted where necessary. Rabobank obtains collateral or guarantees for the majority of loans.

4.3.1 Lending

Rabobank has a significant market share in lending to private individuals; these loans account for 47% of private sector lending. These loans have a low risk profile as evidenced by the losses actually incurred, of 3 basis points (excluding one-offs) in 2016. In 2016, the proportion of the private sector lending allocable to the food and agricultural sectors was 24%. At year-end 2016, the proportion of private sector lending allocable to trade, industry and services was 29%. The loans to trade, industry and services and loans to the food and agricultural sectors are spread over a wide range of industries in many different countries. None of these shares represents more than 10% of the total private sector lending.

<i>in millions of euros</i>	2016		2015	
Total loans and advances to customers	452,807		465,993	
Of which:				
government clients	3,329		3,372	
reverse repurchase transactions and securities borrowing	16,321		19,737	
interest rate hedges (hedge accounting)	8,606		8,957	
Loans to private sector clients	424,551		433,927	
<i>This can be broken down geographically as follows:</i>				
The Netherlands	304,723	72%	321,798	74%
Rest of Europe	28,895	7%	27,185	6%
North America	45,985	11%	42,241	10%
Latin America	13,680	3%	12,741	3%
Asia	9,624	2%	9,502	2%
Australia	21,315	5%	20,116	5%
Africa	329	0%	344	0%
Total	424,551	100%	433,927	100%
<i>Breakdown of loans by business sector</i>				
Private individuals	201,234	47%	207,834	48%
Trade, industry and services (TIS)	121,336	29%	127,690	29%
Food & agri	101,981	24%	98,403	23%
Total	424,551	100%	433,927	100%

<i>Trade, industry and services loan portfolio analysed by industry</i>		
<i>in millions of euros</i>	2016	2015
Lessors of real estate	20,670	24,082
Finance and insurance (except banks)	12,291	16,672
Wholesale	12,747	11,691
Activities related to real estate	5,340	5,221
Manufacturing	9,180	8,116
Transport and warehousing	6,729	7,421
Construction	5,014	5,792
Healthcare and social assistance	6,069	6,062
Professional, scientific and technical services	10,065	9,941
Retail (non-food)	4,520	4,657
Utilities	2,896	3,017
Information and communication	981	900
Arts, entertainment and leisure	1,164	1,441
Other TIS	23,670	22,677
Total loans granted to TIS	121,336	127,690

<i>Food & agri loan portfolio analysed by sector</i>		
<i>in millions of euros</i>	2016	2015
Grain and oil seeds	19,540	18,735
Animal protein	15,728	16,261
Dairy	22,713	22,174
Fruit and vegetables	10,628	10,932
Farm inputs	10,061	8,085
Food retail	4,527	3,926
Beverages	3,852	2,685
Flowers	1,682	1,732
Sugar	2,811	2,671
Miscellaneous crop farming	1,194	2,071
Other food & agri	9,245	9,131
Total loans granted to food & agri	101,981	98,403

4.3.2 Derivatives

Rabobank sets strict limits for open positions, in amounts as well as in terms. If ISDA (International Swaps and Derivatives Association) standards apply or a master agreement including equivalent terms has been concluded with the counterparty, and if the jurisdiction of the counterparty permits offsetting, the net open position is monitored and reported. This credit risk is managed as part of the general lending limits for clients. Where needed, Rabobank obtains collateral or other safeguards to mitigate credit risks inherent in these transactions. The credit risk exposure represents the current fair value of all open derivative contracts showing a positive market value, taking into account master netting agreements enforceable under law.

4.3.3 Collateral and credit management

Rabobank's credit risk exposure is partly mitigated by obtaining collateral where necessary. The amount and nature of the collateral required depends partly on the assessment of the credit risk of the loan to the counterparty. Rabobank has guidelines in place for the purpose of accepting and valuing different types of collateral. The major types of collateral are:

- Residential mortgage collateral;
- Mortgage collateral on immovable property, pledges on movable property, inventories and receivables, mainly for business loans;
- Cash and securities, mainly for securities lending activities and reverse repurchase transactions.

The management monitors the market value of collateral obtained and requires additional collateral where necessary. Rabobank also uses credit derivatives to manage credit risks and it further mitigates its exposure to credit risk by entering into master netting arrangements with counterparties for a significant volume of transactions. In general, master netting arrangements do not lead to the offsetting of assets and liabilities included in the statement of financial position because transactions are usually settled gross. The credit risk is limited by master netting arrangements, but only to the extent that if an event or cancellation occurs, all amounts involving the counterparty are frozen and settled net. The total credit risk exposure from derivatives to which offsetting arrangements apply is highly sensitive to the closure of new transactions, the expiry of existing transactions and fluctuations in market interest and exchange rates.

The table below shows offsets which have been applied in the consolidated balance sheet (IAS 32 Offsetting) and offsets which have not been applied in the consolidated balance sheet (Other offsetting). The other offsets consist of securities Rabobank has received from reverse repurchase transactions and securities Rabobank has provided in relation to loans for repurchase transactions.

Offsetting of financial instruments						
<i>in millions of euros</i>	<i>Gross carrying amount</i>	<i>IAS 32 Offsetting</i>	<i>Net carrying amount included in balance sheet</i>	<i>Master netting agreements</i>	<i>Other offsetting</i>	<i>Net value after other offsetting</i>
On 31 December 2016						
Loans and advances to banks	26,129	(685)	25,444	-	(13,817)	11,627
Derivatives	115,541	(73,169)	42,372	(29,950)	-	12,422
Loans and advances to customers	466,990	(14,183)	452,807	-	(16,114)	436,693
Other assets	8,253	(375)	7,878	-	-	7,878
Total	616,913	(88,412)	528,501	(29,950)	(29,931)	468,620
Deposits from banks	24,541	(2,535)	22,006	-	(401)	21,605
Deposits from customers	356,847	(9,135)	347,712	-	(215)	347,497
Derivatives and financial liabilities held for trading	124,391	(76,367)	48,024	(29,950)	-	18,074
Other liabilities	8,807	(375)	8,432	-	-	8,432
Total	514,586	(88,412)	426,174	(29,950)	(616)	395,608
On 31 December 2015						
Loans and advances to banks	33,107	(673)	32,434	-	(18,888)	13,546
Derivatives	108,741	(60,628)	48,113	(36,047)	-	12,066
Loans and advances to customers	476,981	(10,988)	465,993	-	(18,965)	447,028
Other assets	8,234	(380)	7,854	-	-	7,854
Total	627,063	(72,669)	554,394	(36,047)	(37,853)	480,494
Deposits from banks	21,336	(2,298)	19,038	-	(589)	18,449
Deposits from customers	350,314	(4,430)	345,884	-	(486)	345,398
Derivatives	120,117	(65,561)	54,556	(36,047)	-	18,509
Other liabilities	8,703	(380)	8,323	-	-	8,323
Total	500,470	(72,669)	427,801	(36,047)	(1,075)	390,679

The table on the next page sets out the maximum credit risk to which Rabobank is exposed on the reporting date in respect of the various categories of risk, without taking into account any collateral or other measures for restricting credit risk. It also shows the financial effect of any collateral provided or other types of credit risk reduction. In some cases the amounts stated deviate from the carrying amounts because the outstanding equity instruments are not included in the maximum credit risk.

in millions of euros	Maximum gross credit risk		Credit risk reduction	
	2016	2015	2016	2015
Cash and balances at central banks	84,405	64,943	0%	0%
Loans and advances to banks	25,444	32,434	48%	51%
Derivatives	42,372	48,113	88%	88%
Loans and advances to customers	452,807	465,993	75%	75%
Available-for-sale financial assets	33,745	36,838	0%	0%
Subtotal	638,773	648,321	61%	63%
Credit related off balance sheet commitments	62,760	62,056	18%	18%
Total	701,533	710,377	57%	59%

4.3.4 Off-balance-sheet financial instruments

The guarantees and standby letters of credit that Rabobank provides to third parties in the event of a client being unable to fulfil its obligations to these third parties, are also exposed to credit risk. Documentary and commercial letters of credit and written undertakings by Rabobank on behalf of clients authorise third parties to draw bills against Rabobank up to a fixed amount and subject to specific conditions. As these transactions are secured by the delivery of the underlying goods to which they relate, the risk exposure of such an instrument is less than that of a direct loan. Loan commitments are firm commitments to provide credit under pre-specified terms and conditions and are included in credit related contingent liabilities. Rabobank is exposed to credit risk when it promises to grant loans. The amount of any losses is likely to be less than the total of the unused commitments because the commitments are made subject to the clients meeting certain loan conditions. Rabobank monitors

the term to the expiry of loan commitments because long-term commitments generally involve higher risk than short-term commitments.

4.3.5 Credit quality of financial assets

In its financing approval process, Rabobank Group uses the Rabobank Risk Rating, which reflects the risk of failure or the probability of default (PD) of the loan relation over a period of one year. The table below shows the loan quality of the loan-related balance sheet items after deduction of the impairment allowance. The loan-quality categories are determined on the basis of the internal Rabobank Risk Rating. The Rabobank Risk Rating consists of 21 performance ratings (R0-R20) and four default ratings (D1-D4). The performance ratings assess the probability of default within a period of one year and the rating is determined, in principle, on a cyclically neutral basis. D1-D4 ratings refer to default classifications. D1 represents 90 days' past due (depending on local conditions this may be extended to more than 90 days); D2 indicates high probability that the debtor is unable to pay; D3 indicates that the debtor's assets will most likely need to be liquidated due to default; and D4 indicates bankruptcy status. The default ratings make up the total impaired exposure. The 'vulnerable' category consists of performance ratings which are not (yet) classified as impaired. The other financial assets with a counterparty risk (e.g. cash and balances at central banks, available for sale assets) are of good quality as the exposure is with central banks or consist of quoted government bonds.

Credit quality of financial assets					
in millions of euros	(Virtually) no risk	Adequate to good	Vulnerable	Impaired	Total
On 31 December 2016					
Loans and advances to banks	18,257	7,113	73	1	25,444
Loans and advances to customers					
Loans to government clients	2,370	801	59	4	3,234
Loans to private clients:					
- overdrafts	1,229	18,150	514	762	20,655
- mortgages	40,257	162,491	2,319	1,056	206,123
- leases	606	17,819	1,223	204	19,852
- reverse repurchase transactions and securities borrowing agreements	7,605	8,463	-	-	16,068
- corporate loans	8,176	157,852	4,709	7,936	178,673
- other	299	7,427	58	-	7,784
Total	78,799	380,116	8,955	9,963	477,833
On 31 December 2015					
Loans and advances to banks	25,249	7,133	50	2	32,434
Loans and advances to customers					
Loans to government clients	2,428	815	49	8	3,300
Loans to private clients:					
- overdrafts	5,407	22,430	596	1,020	29,453
- mortgages	39,880	167,049	3,579	1,658	212,166
- leases	652	23,118	1,579	376	25,725
- reverse repurchase transactions and securities borrowing agreements	4,367	14,560	-	-	18,927
- corporate loans	7,636	149,844	2,742	7,491	167,713
- other	3,655	4,204	45	23	7,927
Total	89,274	389,153	8,640	10,578	497,645

The table below gives an age analysis of expired (pastdue) but non-impaired financial assets.

Age analysis					
<i>in millions of euros</i>	< 30 days	30 to 60 days	61 to 90 days	> 90 days	Total
On 31 December 2016					
Loans and advances to banks	54	19	-	-	73
Loans and advances to customers					
Loans to government clients	42	9	4	4	59
Loans to private clients:					
- overdrafts	477	20	11	6	514
- mortgages	1,644	327	158	190	2,319
- leases	811	220	48	144	1,223
- reverse repurchase transactions and securities borrowing agreements	-	-	-	-	-
- corporate loans	4,093	169	121	326	4,709
- other	36	10	2	10	58
Total	7,157	774	344	680	8,955
On 31 December 2015					
Loans and advances to banks	44	6	-	-	50
Loans and advances to customers					
Loans to government clients	41	5	1	2	49
Loans to private clients:					
- overdrafts	516	38	15	27	596
- mortgages	2,766	407	187	219	3,579
- leases	1,163	245	84	87	1,579
- reverse repurchase transactions and securities borrowing agreements	-	-	-	-	-
- corporate loans	1,828	213	138	563	2,742
- other	37	8	-	-	45
Total	6,395	922	425	898	8,640

4.3.6 Forbearance

Rabobank has a policy for monitoring its forbearance portfolio every quarter. This portfolio consists of the customers of Rabobank for whom forbearance measures have been put in place. The measures under that name comprise concessions to debtors facing or about to face difficulties in meeting their financial commitments. A concession refers to either of the following actions:

- A modification of the previous terms and conditions of a contract the debtor is unable to comply with due to its financial difficulties ('bad debt') in order to allow for sufficient debt serviceability. A modification that would not have been granted had the debtor not been in financial difficulty.
- A total or partial refinancing of a bad debt contract, which would not have been granted had the debtor not been in financial difficulty.

Examples include postponements of repayments and extensions of the term of a facility. The rationale for the focus on this portfolio derives from the concerns of European regulators about the deterioration of the quality of the portfolio; it is feared that forbearance measures might camouflage this deterioration of the portfolio as debtors are able to meet their financial

obligations for longer periods as a result of the concessions. The identification of forbearance measures for the corporate portfolio is based on the current Loan Quality Classification framework, with forbearance measures only applying to the classified portfolio. If forbearance measures are applied to a debtor, the debtor falls, by definition, under the supervision of the Special Asset Management department. Lastly, items in the forbearance category must be reported for up to two years after their recovery from 'non-performing' to 'performing'. This period of two years is referred to as 'Forborne under probation'. For the accounting policy regarding derecognition of financial assets please refer to section 2.9 'Securitisations and (de)recognition of financial assets and liabilities'.

4.4 Currency risk in the banking environment

Currency risk is the risk that the bank's financial result and/or economic value will be negatively affected by changes in exchange rates.

Rabobank is exposed to the effect of fluctuations in exchange rates on its financial position and cash flows. In the trading environment, currency risk, like other market risks, is managed on the basis of Value at Risk (VaR) limits set by the Executive Board. In the banking environment, there is a currency risk in the banking books and a translation risk.

Currency risk in the banking books is the risk that manifests itself at the moment receivables and liabilities are not covered, due to which currency fluctuations may have a negative impact on the financial results of the bank. Rabobank's policy is to fully hedge the material currency risk on the banking books. Translation risk becomes evident when the bank's consolidated balance sheet and results are prepared, whereby all items in foreign currencies must be valued in euros. This makes the financial data sensitive to exchange rate fluctuations. Translation risk manifests itself in two different ways within Rabobank:

- Exchange rate fluctuations can potentially affect the value of consolidated entities of which the functional currencies are not euros.
- Exchange rate fluctuations may affect the solvency ratios of Rabobank as a result of differences in the exchange rate composition of the capital and the risk-weighted assets.

Translation risk and currency risks in the banking books are monitored and managed on the basis of a policy which serves the prime purpose of protecting the Common Equity Tier 1 ratio against the adverse effects of exchange rate volatility.

4.5 Interest rate risk in the banking environment

'Interest rate risk in the banking environment' refers to the risk that the financial results and/or the economic value of the banking book are adversely affected by changes in market interest rates.

Interest rate risk at Rabobank arises as a result of repricing and maturity mismatches between loans and funding, and optionality in client products. Customer behaviour is an important determining factor with respect to interest rate risk in the banking environment. The modelling of customer behaviour is therefore one of the core elements of the interest rate risk framework. There are behavioural models in place for mortgage prepayments, savings accounts and current accounts. Movements in interest rates may also affect the creditworthiness of customers. Higher interest rates might for example lead to higher borrowing costs and, hence, have a negative impact on the creditworthiness of a customer. Any such effects are however regarded as credit risk rather than interest rate risk.

Rabobank accepts a certain amount of interest rate risk in the banking environment; this is a fundamental part of banking. But at the same time the bank also aims to avoid unexpected material fluctuations in the financial result and the economic value as a result of interest rate fluctuations. The Executive Board, overseen by the Supervisory Board, therefore annually

approves the interest rate risk appetite and the corresponding interest rate risk limits.

At group level, Rabobank's interest rate risk is managed by the Asset and Liability Committee Rabobank Group chaired by the Chief Financial Officer. The Treasury is responsible for implementing the decisions of this committee, while Risk Management is responsible for measuring and reporting the interest rate risk position.

The definition used for managing interest rate risk varies from the IFRS definition of equity. For interest rate risk management, the economic value of equity is defined as the present value of the assets less the present value of the liabilities together with the present value of the off-balance-sheet items. Through the use of hedge accounting and because a large proportion of the balance sheet is carried at amortised cost (in IFRS terms) and (except from the inherent counterparty risk) is therefore not exposed to value changes, the effects of the value changes on IFRS capital will largely impact only interest income.

As part of its interest rate risk policy, Rabobank uses the following two key indicators for managing and controlling interest rate risk:

- Equity at risk, duration of equity; and
- Income at risk; the sensitivity of net interest income to gradual increases or decreases in interest rates during the coming 12 months.

Paragraphs 4.5.1 and 4.5.2 provide further details on 'Income at risk' and 'Equity at risk' developments.

4.5.1 Income at Risk

Income at risk is calculated once a month based on a standard interest-rate-sensitivity analysis. This analysis shows the main deviation, in a negative sense, of the projected interest income over the next 12 months as a result of a scenario in which all money market and capital market interest rates gradually increase by 2 percentage points and of a scenario in which all money market and capital market interest rates gradually decrease by 2 percentage points. The projected interest rate income is based on a scenario in which all interest rates and other rates remain equal.

Throughout 2016, Rabobank's interest income was vulnerable to a decrease in interest rates. On 31 December 2016, the Income at Risk amounted to EUR 82 million. Compared to the end of 2015, the Income at Risk was at a higher level the whole of 2016. This is related to the change in the downward shock assumption.

Per January 2016 the Income at Risk methodology was updated to accommodate interest rate scenarios to go negative until a floor of -0.5%, while in 2015 these downward scenarios were floored at 0%. For the EUR and USD interest rates this meant that the applied maximum shocks enlarged from -2 to -10 basis points and -20 to -75 basis points respectively. In the last quarter of 2016 the increasing USD rates made room for a larger downward shock (i.e. -125 basis points) and consequently also led to an additional increase in the Income at Risk.

In 2016 the EUR swap curve showed a downward parallel shift with a flattening tendency: the 3M Euribor rate and the 10 year swap rate dropped from -13bp to -32bp and 92bp to 54bp respectively. In general, a low interest rate environment accompanied by a flattening of the curve, is challenging for the profitability of the bank, especially the retail business in case of unchanging margins.

Income at Risk		
<i>in millions of euros</i>	<i>31 December 2016</i>	<i>31 December 2015</i>
EUR interest rate	10 bp decline	2 bp decline
	82	19

4.5.2 Equity at Risk

The equity at risk (EatR) or duration of equity indicates by what percentage the economic value of equity will fall if the money market and capital market interest rates increase by one percentage point. The Executive Board has set a lower limit of 0% and an upper limit of 6% for this purpose. Additional limits apply for the basis point value (BPV) of equity and the delta profile (BPV per term point) for equity.

In the first half of 2016, the EatR decreased from 2.4% to 1.1% due to the fall in market interest rates and model adjustments regarding mortgage prepayments and on-demand savings deposits. During the course of 2016, the upward pressure on the EatR, caused by mortgage extensions and customers' shift in preference towards longer fixed interest periods, was largely hedged by entering into payer swaps leading to an EatR of 1.4% by year end.

Equity at Risk		
	<i>31 December 2016</i>	<i>31 December 2015</i>
	1.4%	2.4%

4.6 Market risk in the trading environment

Market Risk arises from the risk of losses on trading book positions affected by movements in interest rates, equities, credit spreads, currencies and commodities. These movements have an impact on the value of the trading portfolios and could lead to losses. Risk positions acquired from clients can either be redistributed to other clients or managed through risk transformation (hedging). The trading desks are also acting as a market-maker for secondary markets (by providing liquidity and pricing) in interest rate derivatives and debt, including Rabobank Bonds and Rabobank Certificates.

Market risk in the trading environment is monitored daily within the market risk framework, which is put in place to measure, monitor and manage market risk in the trading books. An important part of the framework is an appropriate system of limits and trading controls. The relevant risk appetite limits are translated into limits and trading controls at book level and are monitored on a daily basis by the market risk departments. Due to Rabobank's strategy of client risk redistribution, risk transformation (hedging) and the low secondary market activity, the real market risk exposure of the trading portfolio is well within the risk appetite boundaries. If limits are breached, remedial actions will be stipulated which decrease the chance of large actual losses. The risk position is reported to senior management and discussed in the various risk management committees each month.

At consolidated level, the market risk appetite is represented by the Value at Risk (VaR), Interest Rate Delta and Event risk.

The VaR indicates the maximum loss for a given confidence level and horizon under 'normal' market conditions, based on one year of historical market movements. Daily risk management uses a confidence level of 97.5% and a horizon of 1 day. Under this method, VaR is calculated on the basis of historical market movements and the positions taken.

The table below presents the composition of the VaR. The VaR is divided into a number of components. A diversity advantage is achieved in this case by the opposing positions of various books which partially cancel each other out. In 2016, the VaR fluctuated between EUR 3.5 million and EUR 6.9 million, the average being EUR 4.4 million. The VaR amounted to EUR 4.3 million on 31 December 2016. VaR has moved during the year with some fluctuations being driven by client related deals and volatility in the financial markets.

VaR (1 day, 97.5%)							
<i>in millions of euros</i>	<i>Interest</i>	<i>Credit</i>	<i>Currencies</i>	<i>Shares</i>	<i>Commodities</i>	<i>Diversification</i>	<i>Total</i>
2016 - 31 December	4.5	0.6	0.4	0.0	0.2	(1.5)	4.2
2016 - average	4.1	1.1	0.2	0.2	0.2	n/a	4.4
2016 - highest	6.3	1.7	0.7	0.7	0.8	n/a	6.9
2016 - lowest	3.3	0.6	0.1	0.0	0.1	n/a	3.5
2015 - 31 December	4.3	1.2	0.4	0.4	0.1	(1.3)	5.1
2015 - average	4.2	1.3	0.2	0.7	0.3	n/a	4.8
2015 - highest	8.0	2.0	0.6	1.0	0.7	n/a	8.7
2015 - lowest	2.5	0.7	0.1	0.2	0.2	n/a	2.5

In addition to the VaR, there are several other key risk indicators. The interest rate delta is a measure of the change in the value of positions if there is a parallel increase in the yield curve of 1 basis point (i.e. 0.01 percentage point). The interest rate delta table below shows the sensitivity to changes in the yield curves for the major currencies. At 31 December 2016, the interest rate delta for trading books was EUR 0.3 million positive. The interest rate delta remained well within the set limit during the reporting period.

Interest rate delta		
<i>in millions of euros</i>	<i>2016</i>	<i>2015</i>
Euro	0.1	(1.2)
US dollar	0.1	(0.4)
British pound	0.1	0.1
Other	0.0	0.1
Total	0.3	(1.4)

Rabobank uses stress testing to complement the VaR. It is instrumental in gauging the impact of extreme, yet plausible predefined moves in market risk factors on the P&L of individual trading and investment portfolios. These moves are reflected in scenarios which capture risk drivers such as tenor basis swap spreads, interest rates, foreign exchange, credit spreads, volatility and interest rate curve rotation. Depending on the scenario, individual risk factors or multiple risk factor categories will be stressed at the same time.

The event risk, which is measured by performing sensitivity analyses and stress tests was EUR 105 million on 31 December 2016, well within the set limit. It fluctuated between EUR 103 million and EUR 159 million with an average of EUR 125 million. Rabobank's event risk is largely determined by the tenor basis swap position, which comes from non-client facing positions of a more strategic nature which are classified as permitted proprietary trading activities outside the US under the Volcker Rule.

4.7 Liquidity risk

Liquidity risk is the risk that the bank will not be able to meet all of its payment and repayment obligations on time, as well as the risk that the bank will not be able to fund increases in assets at a reasonable price, if at all. This could happen if, for instance, customers or professional counterparties suddenly withdraw more funds than expected which cannot be absorbed by the bank's cash resources, by selling or pledging assets in the market or by borrowing funds from third parties. Rabobank considers an adequate liquidity position and retaining the confidence of both professional market parties and retail customers to be crucial in ensuring unimpeded access to the public money and capital markets.

The liquidity risk policy focuses on financing assets using stable funding, i.e., funds entrusted by customers and long-term wholesale funding. Liquidity risk is managed on the basis of three pillars. The first of these sets strict limits for the maximum outgoing cash flows within the wholesale banking business. Among other things, Rabobank measures and reports on a daily basis what incoming and outgoing cash flows can be expected during the next twelve months. Limits have been set for these outgoing cash flows, including for each currency and each location. Detailed plans (the contingency funding plans) have been drawn up for contingency funding to ensure the bank is prepared for potential crisis situations. Periodic operational tests are performed for these plans.

The second pillar is used to maintain a substantial high-quality buffer of liquid assets. In addition to credit balances held at central banks, these assets can be used to be pledged to central banks, in repo transactions, or to be sold directly in the market to generate liquidity immediately. The size of the liquidity buffer is attuned to the risk Rabobank is exposed to in its balance sheet. In addition Rabobank has securitised a portion of the mortgage portfolio internally, which means it can be pledged to the central bank, thereby serving as an additional liquidity buffer. Since this concerns retained securitisations, it is not reflected in the consolidated balance sheet.

The third pillar for managing liquidity risk consists of a good credit rating, high capital levels and prudent funding policies. Rabobank takes various measures to avoid becoming overly dependent on a single source of funding. These include balanced diversification of financing sources with respect to maturity, currencies, investors, geography and markets, a high degree of unsecured funding and therefore limited asset encumbrance, and an active and consistent investor-relations policy play a major role.

Furthermore, scenario analyses are performed each month to determine the potential consequences of a wide range of stress scenarios. The analyses cover market-specific scenarios, Rabobank-specific scenarios and a combination of both.

Monthly reports on the Group's overall liquidity position are submitted to the Dutch Central Bank. These reports are prepared in accordance with the guidelines drawn up by this supervisory authority.

The table below shows the undiscounted liabilities grouped according to the remaining liquidity period from the reporting date to the expected contract repayment date. The total amounts do not correspond exactly with the amounts in the consolidated statement of financial position because this table is based on undiscounted contractual cash flows relating to both principal and future interest payments. Derivatives have not been analysed on the basis of the contractual due date, because they are not essential for the management of liquidity risk or for reporting to senior management.

Contractual repayment date						
<i>in millions of euros</i>	<i>On demand</i>	<i>Less than 3 months</i>	<i>3 months to 1 year</i>	<i>1 - 5 years</i>	<i>Longer than 5 years</i>	<i>Total</i>
On 31 December 2016						
Liabilities						
Deposits from banks	4,376	10,293	2,451	4,021	1,104	22,245
Deposits from customers	252,907	44,693	14,141	14,646	23,742	350,129
Debt securities in issue	-	33,370	38,687	68,561	32,012	172,630
Other liabilities (excluding employee benefits)	1,104	3,975	951	656	67	6,753
Financial liabilities held for trading	-	739	-	-	-	739
Financial liabilities designated at fair value	95	628	2,735	4,635	23,006	31,099
Subordinated liabilities	-	-	-	2,344	22,913	25,257
Total financial liabilities	258,482	93,698	58,965	94,863	102,844	608,852
Financial guarantees	11,595	-	-	-	-	11,595
Loan commitments	44,889	-	-	-	-	44,889
On 31 December 2015						
Liabilities						
Deposits from banks	2,911	9,465	2,521	3,492	795	19,184
Deposits from customers	254,264	46,182	12,534	13,290	23,848	350,118
Debt securities in issue	117	32,480	48,941	67,701	40,518	189,757
Other liabilities (excluding employee benefits)	1,471	3,741	1,060	614	48	6,934
Financial liabilities held for trading	-	573	-	-	-	573
Financial liabilities designated at fair value	59	615	2,434	4,696	21,088	28,892
Subordinated liabilities	-	50	10	2,435	21,524	24,019
Total financial liabilities	258,822	93,106	67,500	92,228	107,821	619,477
Financial guarantees	10,402	-	-	-	-	10,402
Loan commitments	46,674	-	-	-	-	46,674

The table below shows assets and liabilities grouped according to the period remaining from the reporting date to the contractual repayment date. These amounts correspond with the amounts included in the consolidated statement of financial position.

Current and non-current financial instruments						
<i>in millions of euros</i>	<i>On demand</i>	<i>Less than 3 months</i>	<i>3 months to 1 year</i>	<i>1 - 5 years</i>	<i>Longer than 5 years</i>	<i>Total</i>
On 31 December 2016						
Financial assets						
Cash and balances at central banks	83,032	1,362	11	-	-	84,405
Loans and advances to banks	4,442	18,882	1,295	556	269	25,444
Financial assets held for trading	1	958	128	818	680	2,585
Financial assets designated at fair value	-	341	89	290	601	1,321
Derivatives	8	4,500	3,033	9,798	25,033	42,372
Loans and advances to customers	20,459	42,397	40,350	92,451	257,150	452,807
Available-for-sale financial assets	43	3,361	3,313	18,456	9,407	34,580
Other assets (excluding employee benefits)	771	4,261	1,536	1,087	216	7,871
Total financial assets	108,756	76,062	49,755	123,456	293,356	651,385
Financial liabilities						
Deposits from banks	4,442	10,217	2,408	3,892	1,047	22,006
Deposits from customers	250,255	47,040	13,966	14,013	22,438	347,712
Debt securities in issue	-	33,287	37,817	61,587	26,651	159,342
Derivatives	-	5,468	3,646	9,786	29,124	48,024
Financial liabilities held for trading	-	739	-	-	-	739
Other liabilities (excluding employee benefits)	1,102	5,011	1,254	659	91	8,117
Financial liabilities designated at fair value	95	623	2,683	4,032	9,087	16,520
Subordinated liabilities	-	-	-	2,012	14,849	16,861
Total financial liabilities	255,894	102,385	61,774	95,981	103,287	619,321
Net balance	(147,138)	(26,323)	(12,019)	27,475	190,069	32,064
On 31 December 2015						
Financial assets						
Cash and balances at central banks	63,650	1,284	9	-	-	64,943
Loans and advances to banks	4,532	24,234	1,878	1,300	490	32,434
Financial assets held for trading	144	397	539	1,669	723	3,472
Financial assets designated at fair value	8	307	33	848	1,000	2,196
Derivatives	6	3,071	2,870	11,226	30,940	48,113
Loans and advances to customers	28,351	50,550	37,948	89,345	259,799	465,993
Available-for-sale financial assets	49	2,385	3,344	19,636	12,359	37,773
Other assets (excluding employee benefits)	1,030	3,765	1,669	1,113	270	7,847
Total financial assets	97,770	85,993	48,290	125,137	305,581	662,771
Financial liabilities						
Deposits from banks	2,911	9,459	2,492	3,415	761	19,038
Deposits from customers	252,485	46,108	12,322	12,550	22,419	345,884
Debt securities in issue	117	32,390	48,306	60,720	33,458	174,991
Derivatives	13	3,613	3,392	11,795	35,743	54,556
Financial liabilities held for trading	-	573	-	-	-	573
Other liabilities (excluding employee benefits)	1,363	4,623	1,343	590	48	7,967
Financial liabilities designated at fair value	62	542	2,380	4,464	9,543	16,991
Subordinated liabilities	-	48	10	2,008	13,437	15,503
Total financial liabilities	256,951	97,356	70,245	95,542	115,409	635,503
Net balance	(159,181)	(11,363)	(21,955)	29,595	190,172	27,268

The overview presented above, has been composed on the basis of contractual information and does not represent the actual behaviour of these financial instruments. However, this is taken into account for the day-to-day management of the liquidity risk. Customer savings are an example. Under contract, these are payable on demand. Experience has shown that this is a very stable source of long-term financing that Rabobank has at its disposal. The regulations of the supervisory authority also factor this in. On 31 December 2016, on the basis of the liquidity criteria set by the Dutch Central Bank (DNB), Rabobank had a substantial liquidity surplus. The average liquidity surplus during 2016 was 32% (2015: 23%) of the total 1-month liquidity requirement. On 31 December 2016, the surplus was 30% (2015: 25%). The European Commission Delegated Act 'Liquidity Coverage Ratio' (DA LCR) became a regulatory requirement as of October 1st 2015. With 130% as per 31 December 2016, Rabobank complies with the minimum 100% requirement as set by the Dutch Central Bank (DNB). The liquidity requirements to meet payments under financial guarantees are considerably lower than the amount of the liabilities because Rabobank does not generally expect that third parties to such arrangements will draw funds. The total outstanding amount in contractual obligations to provide credit does not necessarily represent the future cash resource needs of Rabobank because many of these obligations will lapse or terminate without financing being required.

4.8 Operational risk

Rabobank defines operational risk as the risk of losses being incurred as a result of inadequate or dysfunctional internal processes, people and systems or as a result of external trends and developments, including legal and reputational risks. In measuring and managing operational risk, Rabobank operates within the parameters of the most advanced Basel II approach, the Advanced Measurement Approach, and follows the 'three lines of defence model' as prescribed by the EBA. The bank's operational risk policy is based on the principle that the primary responsibility for managing operational risk lies with the first line and that this must be integrated into the strategic and day-to-day decision-making processes. The purpose of operational risk management is to identify, assess, mitigate and monitor the various types of operational risk. The operational risk measurement supports those responsible for operational risk prioritisation and deployment of people and resources.

Within Rabobank Group, the departments involved in the primary processes of the bank form the 'first line of defence'. They are fully responsible for day-to-day risk acceptance and for integrated risk management and mitigation within the approved risk appetite. The Compliance, Legal and Risk (CLR) functions together constitute the 'second line of defence'.

The second line functions have a monitoring role with regard to all types of operational risk and they monitor the way in which 'the first line of defence' manages these risks. In addition and independently from the first line, they report on the risk profile and appetite breaches to senior management and the Executive Board. Internal Audit forms the 'third line of defence'. At group level, the Risk Management Committee (RMC) is responsible for formulating policy and setting parameters. Compliance, Legal and Risk also report quarterly to the RMC on changes in operational risks at group level. Delegated risk management committees have been established within the group's entities. Their responsibilities include monitoring all operational risks at entity level (amongst others: Conduct risk, continuity risk, Information Security risk, Fraud risk including the legal and reputational impact thereof).

The annual risk management cycle consists of a group-wide Scenario programme and Risk Self-Assessment that identifies the more material operational risks of Rabobank Group. After assessment, if and when risks fall outside the defined risk appetite, mitigating measures are taken by first line and monitored by second line.

4.9 Fair value of financial assets and liabilities

The following table shows the fair value of financial instruments, recognised at amortised cost on the basis of the valuation methods and assumptions detailed below. This table is included because not all financial instruments are recognised at fair value in the balance sheet. Fair value represents the price that would have been received for the sale of an asset or that would have been paid in order to transfer a liability in a standard transaction conducted between market participants on the valuation date. For fair value measurement Rabobank assumes that the transaction to sell the asset or transfer the liability is conducted in the principal market for the asset or liability. Alternatively, in the most advantageous market if there is no principal market. Market prices are not available for a large number of the financial assets and liabilities that Rabobank holds or issues. For financial instruments for which no market prices are available, the fair values shown in the following table have been estimated using the present value or the results of other estimation and valuation methods, based on the market conditions on the reporting date. The values produced using these methods are highly sensitive to the underlying assumptions used for the amounts as well as for the timing of future cash flows, discount rates and possible market illiquidity. The following methods and assumptions have been used.

Cash and balances at central banks.

The fair value of cash and balances at central banks is assumed to be almost equal to their carrying amount. This assumption is used for highly liquid investments and also for the short-term component of all other financial assets and liabilities.