

Rabobank Nederland

Human Resources Rabobank
HR Beleid & Arbeidsverhoudingen



Rabobank

***Regulations Variable Pay
Identified Staff***

Version 1 January 2014

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1. Applicability of Regulations/participation

- 1.1 These Regulations apply to all Identified Staff of Rabobank Group.
- 1.2 The defined terms in these Regulations have the meaning described in Article 17 of the Regulations. In the application of these Regulations, "in writing" is understood to include "digitally".
- 1.3 In the event that the Regulations apply to only part of a Performance Period, the Variable Pay to be awarded is calculated proportionate to the number of months actually worked in the relevant Performance Period (rounded up).
- 1.4 If a Participant changes positions in the course of a Performance Period, the manner in which the Variable Pay will be determined for the relevant Performance Period will be agreed with the Participant, with due observance of the relevant procedures laid down for the relevant business unit or subsidiary.

2. Performance Targets

- 2.1 The Participant's Performance Targets are determined in consultation with the Participant each year within three months after the commencement of a Performance Period, in accordance with the Group Remuneration Policy. The Participant may request a copy of the Group Remuneration Policy from HR. The Performance Targets as determined are recorded in writing.
- 2.2 Participants with the lowest possible assessment regarding their individual performance targets are not entitled to Variable Pay.
- 2.3 Participants operating in monitoring functions need to realize at least 50% of the functional performance targets to be eligible for the award of Variable Pay.

3. Composition of the Variable Pay

- 3.1 The Variable Pay consists of a Direct Part and a Deferred Part. Both the Direct Part and the Deferred Part consist of a Cash Component and an Instrument Component. 50% of both the Direct Part and the Deferred Part is awarded in cash (Cash Component), and 50% of the Direct Part and the Deferred Part is awarded in the form of Deferred Remuneration Notes (DRNs) (Instrument Component).
- 3.2 The Direct Part is 50% up to an amount of EUR 150,000 of Variable Pay. The Direct Part is 25% from EUR 150,000 up to an amount of EUR 500,000 of Variable Pay. The Direct Part is 0% from an amount of EUR 500,000 of Variable Pay (in accordance with the table below).
- 3.3 The Deferred Part is 50% up to an amount of EURO 150,000 of Variable Pay. The Deferred Part is 75% from EUR 150,000 up to an amount of EUR 500,000 of Variable Pay. The Deferred Part of the Variable Pay is 100% from an amount of EUR 500,000 of Variable Pay (in accordance with the table below).

Variable Pay (in EUR)	Direct Part	Deferred Part
0 - 150,000	50%	50%
150,000 - 500,000	25%	75%
> 500,000	0%	100%

Table: percentages of Direct and Deferred Part of the Variable Pay for Identified Staff with the exception of the members of the Executive Board

- 3.4 After the end of a Performance Period, the amount of the Variable Pay is determined based on the assessment of the Participant's Performance. The Variable Pay is determined in the currency designated by the relevant business unit.
- 3.5 The number of DRNs that a Participant receives under the Instrument Component after the end of the relevant Performance Period is based on the Average RC Closing Rate. If the Participant is paid in a currency other than Euro, the average exchange rate of this currency against the Euro over the period from January through to October of the relevant performance year is applied. That exchange rate will be applied for all payments to be made on DRNs and the Compensation on DRNs pertaining to that Performance Period. As a result, exchange rate fluctuations do not affect the sums in the currency in which payments are made to the Participant.
- 3.6 The compensation on DRNs is equal to the Compensation on Rabobank Certificates.
- 3.7 Interest compensation is paid on the Cash Component of the Deferred Part of the Variable Pay. This interest is equal to the sum of the EONIA for the three calendar years preceding the year in which the Cash Component of the Deferred Part of the Variable Pay is paid out, increased with one percentage point per calendar year (**Interest**). If the Participant is paid in a currency other than Euro, the Interest in Euro is converted into the relevant currency in accordance with 3.5.
- 3.8 The Participant is prohibited from using personal hedging strategies or remuneration- and liability related insurance to undermine the risk alignment effects of the Group Remuneration Policy.

4. Vesting of the Variable Pay

- 4.1 The Direct Part of the Variable Pay vests at the end of the relevant Performance Period, providing the Participant is still employed by Rabobank Group at that time.
- 4.2 The Deferred Part of the Variable Pay vests three years after the end of the relevant Performance Period, provided that (i) the Participant is still employed by Rabobank Group at that time, and (ii) the fairness test referred to below in Article 7 does not give cause to adjust the Deferred Part of the Variable Pay.

5. Division and payment of the Variable Pay

5.1 Direct Part

Payment of the Direct Part of the Variable Pay is made as follows:

- i) After the end of a Performance Period, the amount of the total individual Variable Pay with regard to that Performance Period is provisionally determined. This determination is made in cash and in the currency designated by the relevant business unit.
- ii) The total Variable Pay is then divided into the Direct Part and the Deferred Part in accordance with Articles 3.2 and 3.3.
- iii) The amount of the Direct Part of the Variable Pay is definitively determined after the end of the relevant Performance Period.
- iv) The Direct Part is paid out for 50% in cash (the Cash Component) and for 50% in DRNs (the Instrument Component).
- v) Payment of the Cash Component of the Direct Part of the Variable Pay is made in the year in which the total Variable Pay is determined, at the time designated by the relevant business unit for the payment of Variable Pay.
- vi) One year after the end of the relevant Performance Period, the number of DRNs awarded in the Direct Part is paid out to the Participant in cash at the time designated by the relevant business unit for the payment of Variable Pay. The payable sum is determined by multiplying the number of awarded DRNs from the Direct Part, as determined in accordance with Article 3.5, by the Average RC Closing Rate of the year after the determination of the Variable Pay. The Compensation on DRNs, in accordance with Article 3.6, is paid out at the same time on the DRNs from the Direct Part of the relevant Performance Year. If the Participant is paid in a currency other than Euro, the aforementioned sums in Euro are converted into the relevant currency in accordance with Article 3.5.
- vii) The amounts as calculated in this Article 5.1 are gross amounts. Withholdable Payroll Tax and Social Security Contributions on these sums will be withheld and transferred. This also applies to the value in cash of the DRNs.

5.2 Deferred Part

Payment of the Deferred Part of the Variable Pay is made as follows:

- i) Three years after the relevant Performance Period, the amount of the Deferred Part of the Variable Pay is definitively determined after the fairness test referred to in Article 7 has been applied.
- ii) Payment of the Cash Component is made in the year in which the Deferred Part of the Variable Pay is definitively determined, at the time designated by the relevant business unit for the payment of Variable Pay. Interest on the Cash Component of the Deferred Part of the Variable Pay is paid together with the payment of the Cash Component. If the Participant is paid in a currency other than Euro, the aforementioned sums in Euro are converted into the relevant currency in accordance with Article 3.5.
- iii) Four years after the end of the relevant Performance Period, the number of DRNs awarded in the Deferred Part is paid out to the Participant in cash at the time that is usual for the payment of Variable Pay at the relevant business unit. The payable sum is determined by multiplying the

number of awarded DRNs from the Deferred Part, as determined in accordance with Article 3.5, by the Average RC Closing Rate of the year after the definitive determination of the Deferred Part of the Variable Pay. The Compensation on DRNs, in accordance with Article 3.6, is paid out at the same time on the DRNs from the Deferred Part of the relevant Performance Year. If the Participant is paid in a currency other than Euro, the aforementioned sums in Euro are converted into the relevant currency as described in Article 3.5.

- iv) The amounts as calculated in Article 5.2 are gross amounts. Withholdable Payroll Tax and Social Security Contributions on these sums will be withheld and transferred. This also applies to the value in cash of the DRNs.

6. Termination of employment

- 6.1 Upon termination of the Participant's employment agreement or other type of employment relationship after the end of a Performance Period before the Direct Part of the Variable Pay for that Performance Period is determined and/or paid out, the Participant retains the right to the Direct Part of the Variable Pay for that Performance Period if and to the extent that such is in accordance with the policy of the relevant business unit. Upon termination of the Participant's employment agreement or other type of employment relationship in the course of a Performance Period, the Participant retains the right to the Direct Part of the Variable Pay for that Performance Period - with due observance of Article 1.3 - if and to the extent that such is in accordance with the policy of the relevant business unit. The provisions of Article 5.1 apply to the determination and payment of the Direct Part of the Variable Pay in the events referred to in this paragraph.
- 6.2 Upon termination of the Participant's employment agreement or other type of employment relationship before the Deferred Part of the Variable Pay has vested, the right to payment of that part expires.
- 6.3 In deviation from Articles 6.1 and 6.2, a Participant is (or his heirs are) entitled to immediate payment of the Direct Part and the Deferred Part of the Variable Pay, without application of the fairness test referred to in Article 7, in any of the following events:
 - a) the demise of the Participant;
 - b) occupational disability for a successive period of two years or for another applicable term based on the applicable local regulations, in which the employment agreement or other type of employment relationship is terminated for that reason at Rabobank Group's initiative.
- 6.4 In case of the situations described in article 6.3, in order to determine the payable sum the following applies:
 - a) the number of DRNs to be paid is multiplied by the average closing rate of Rabobank Certificates (as created on NYSE Euronext) on the last five Trading Days of the month prior to the event as described in Article 6.3.
 - b) the interest on the Cash Component of the Deferred Part of the Variable Pay is paid in proportion in accordance with Article 3.7.
- 6.5 In deviation from Articles 6.1 and 6.2, a Participant is entitled to payment of the Direct Part and the Deferred Part of the Variable Pay, after application of all other provisions of these Regulations, in the following events:

- a) the Participant's retirement;
- b) a reorganization in which the employment agreement or other type of employment relationship is terminated for that reason at the Rabobank Group's initiative;
- c) at the Supervisory Board's discretion, in the event of termination of employment by mutual consent.

7. Fairness Test / Underperformance Penalty

Until the time at which the Deferred Part of the Variable Pay vests, the Authorized Body - if relevant after approval by the Supervisory Board - has the authority to adjust the Deferred Part of the Variable Pay downward to an appropriate level in the situations described in the Group Remuneration Policy, including:

- i. Proof of misconduct or material errors by the Participant, such as, for example, conduct that is not in line with the internal code of conduct, compliance guidelines or core values;
- ii. Evidence of participation in or responsibility for conduct that have led to considerable loss and/or damage to the reputation of the Rabobank Group and/or the subsidiary or group entity concerned;
- iii. The determination of whether the financial performance of Rabobank Group and/or the relevant subsidiary or business unit has significantly deteriorated, shedding a different light on the circumstances as determined at the time the relevant variable pay was awarded (both the individual performance and the financial performance of the business unit and Rabobank Group in that year);
- iv. The determination of whether a significant breach has occurred in risk management within Rabobank Group and/or the relevant subsidiary or business unit where the employee is employed, shedding a different light on the circumstances as they were assessed when the relevant Variable Pay was awarded (both the individual performance and the financial performance of the business unit and Rabobank Group in that year);
- v. The determination of whether a significant negative change has occurred in the Core Tier 1 capital of Rabobank, shedding a different light on the circumstances as they were assessed when the relevant Variable Pay was awarded (both the individual performance and the financial performance of the business unit and Rabobank Group in that year);
- vi. Awarding Variable Pay based on incorrect or misleading information or as a result of fraudulent actions by the employee concerned;
- vii. Ascertaining that the employee has not met the applicable standards with respect to ability and correct conduct, and
- viii. The minimum condition for guaranteeing that the Variable Pay is in line with the risk profile of the Rabobank Group is that, after awarding and paying the Variable Pay, the Core Tier 1 capital ratio of the Rabobank must be equal to or greater than the threshold as determined by the applicable legislation and regulations. If, and as far as, this minimum condition is not met, then the Variable Pay will not be (fully) awarded or paid.

8. Claw Back

Already paid gross sums can be reclaimed by the Competent Authority insofar it is relevant after approval from the Supervisory Board of both Participants and ex-Participants, if:

- i. the payment was made based on incorrect or misleading information concerning the achievement of the performance targets which formed the basis of the Variable Pay or concerning the circumstances on which the Variable Pay depended;

- ii. the participant concerned has acted fraudulently;
- iii. it involves participation in or responsibility for conduct that has led to considerable loss and/or damage to the reputation of the Rabobank Group and/or the subsidiary or group entity; and/or
- iv. the participant did not meet applicable standards regarding ability and correct conduct.

9. Taxes, Social Insurance premiums and other obligations and charges

Withholdable Payroll Tax and Social Security Contributions will be borne by the Participants.

The Employer will withhold from the Variable Pay (or any other income from the Participant's employment) the amount of Withholdable Payroll Tax and Social Security Contributions. The Employer may implement procedures with regard to the withholding of Withholdable Payroll Tax and Social Security Contributions.

10. Not a term of employment

Applicability of the Regulations in any year does not qualify as a term of employment, and the award of any Variable Pay in a certain year does not establish any right and/or entitlement in future years. The Variable Pay is not taken into account when calculating any (dismissal or redundancy) payment and does not constitute pensionable wages.

11. Limitations with regard to the Variable Pay

Variable Pay awarded to a Participant may not be transferred or encumbered by the Participant in any way, nor may a transaction or act be concluded or performed that has the same or a similar economic effect. If and when a Participant nevertheless transfers or encumbers his conditional Variable Pay or DRNs subject to a Retention Period or concludes a transaction or performs an act that has the same or a similar economic effect, all rights ensuing from his Variable Pay expire immediately and without further notice.

12. Adoption and amendment of the Regulations

The Executive Board may unilaterally and at any time (a) amend these Regulations or (b) terminate the Regulations with approval from the Supervisory Board. The Participant will be notified of any amendment to or termination of the Regulations. The Authorized Body has the discretionary authority to deviate from these Regulations in exceptional circumstances, including making changes to Variable Pay already awarded, with due observance of the provisions of the Group Remuneration Policy.

13. Administration

The HR Rabobank department is responsible for the administration of these Regulations and the awards made under the same.

The HR Rabobank department is permitted to assign the administration of these Regulations to a third party.

14. Change in Control

In the event of a Change in Control, the Employer has the discretionary authority to withdraw (a) the Instrument Component of the Variable Pay that is still conditional and/or (b) the DRNs still subject to the Retention Period, and to pay the Participant an amount in cash that is the same as the value of the withdrawn Instrument Component of the Variable Pay on the date of withdrawal.

15. Change in the Rabobank Certificates capital

Rabobank Nederland may issue new Rabobank Certificates or cancel, combine or otherwise change these at any time. In such cases, at the Executive Board's discretion, the Instrument Component of the Variable Pay that has not yet vested can be adjusted such that the total value of the DRNs after adjustment is the same to the extent possible as their value before the change to the Rabobank Certificates, if and to the extent that such is justifiable.

16. Choice of Law and Forum

These Regulations are exclusively governed by the laws of the Netherlands.

Any disputes between the Employers and Participants with regard to or ensuing from these Regulations will be exclusively submitted to the competent court in Utrecht, the Netherlands.

17. Definitions

In these Regulations, the terms below are defined as follows:

- a. **Authorized Body**
The Supervisory Board in so far as an award under these Regulations relates to a member of the Executive Board. The Executive Board in so far as an award under these Regulations relates to all other Identified Staff.
- b. **Average RC Closing Rate**
The average of the closing rates in RC as created on NYSE Euronext on the first five Trading Days of February of every year excluding 2014 in which the Average RC Closing Rate will be the average of the closing rates in RC as created on NYSE Euronext on the five Trading Days of 17 February 2014 up to and including 21 February 2014.
- c. **Cash Component**
The part of the Variable Pay awarded in cash.
- d. **Change in Control**
A transaction or a series of transactions or the conclusion of an agreement that independently or jointly results in a party either directly or indirectly acquiring Control of a Subsidiary.
- e. **Compensation**
A compensation possibly paid on a participation and, as such, on an RC in accordance with the Participation regulations.
- f. **Control(i) direct or indirect ownership, by a party or cooperating parties, by means of an agreement or in any other manner whatsoever, of more than 50% of (a) the issued share capital and/or (b) the**

voting rights in the annual general meeting; or (ii) the direct or indirect right of a party or cooperating parties to determine the composition of a majority of the supervisory board, by means of an agreement or in any other manner whatsoever.

- g. **Deferred Part**
The part of the Variable Pay that may vest three years after the end of the relevant Performance Period, as described in Articles 4.2 and 5.2.
- h. **Deferred Remuneration Notes (DRN)**
- i. **A non-transferrable instrument that is used for the part of the Variable Pay that is paid out other than in cash.**
- j. **Direct Part**
The part of the Variable Pay that is awarded unconditionally after the expiry of the Performance Period, described in detail in Articles 3.1 and 5.1.
- k. **The Rabobank Group entity with which a Participant has an employment agreement or a contract for services.**
- l. **EONIA**
The abbreviation of Euro OverNight Index Average. EONIA is the one-day interbank interest rate for the euro zone. EONIA is calculated based on the rates at which European banks issue one another unsecured loans with a term of only one day.
- m. **Executive Board**
The executive board of Rabobank Nederland.
- n. **Fixed Pay**
The Participant's regular remuneration that is paid out periodically, including fixed supplements, such as - but not limited to - holiday allowance, thirteenth month, labor market supplement and overtime compensation, as per 31 December of the relevant Performance Period for the Variable Pay and rounded off to whole Euros.
- o. **Group Remuneration Policy**
The remuneration policy of Rabobank Group, applicable to all employees of Rabobank Group as adopted by the Executive Board on 18 October 2011 and approved by the Supervisory Board on 25 October and as may be amended from time to time.
- p. **Identified Staff**
Every employee in a position regarding which Rabobank Group has determined in accordance with the Regulation on Sound Remuneration Policies that the position has a material impact on Rabobank Group's risk profile.
- q. **Interest**
EONIA plus 1% for the three calendar years preceding the year in which the Cash Component of the Deferred Part of the Variable Pay is paid out.
- r. **Instrument Component**
The part of the Variable Pay that is paid out in DRNs.
- s. **Monitoring functions**
The functions Risk management, Compliance, Control, HR and Audit.

- t. NYSE Euronext
NYSE Euronext in Amsterdam; a regulated market of Euronext Amsterdam N.V.
- u. Participant
An employee within Rabobank Group that qualifies as Identified Staff and to whom the Regulations apply.
- v. Participation regulations
The regulations of Rabobank Nederland regarding the participations issued by it.
- w. Performance
The results achieved during a Performance Period, determined based on the pre-determined Performance Targets, the performance measurement method and the weighting factors as laid down in writing and made known to the Participant.
- x. Performance Period
The period of one year during which the Performance is measured. In principle, this period commences on 1 January and ends on 31 December. In the event of admission as a Participant in the course of the year, the Performance Period commences on the first day of the month of admission.
- y. Performance Target
The performance targets applicable to a Participant as laid down in writing and made known to the Participant.
- z. Rabobank Group
The affiliated banks, Rabobank Nederland, including Rabobank International, and the Subsidiaries.
- aa. Rabobank International
The independently operating business unit within Rabobank Nederland that is indicated in Rabobank Nederland's annual report as Rabobank International.
- bb. Rabobank Certificate (RC)
A registered certificate for the registered participations administrated by the foundation: *Stichting AK Rabobank Certificaten* and issued by Rabobank Nederland, to which the foundation conditions apply under which the Rabobank Certificates were issued and registered at NYSE Euronext under ISIN XS1002121454.
- cc. Rabobank Nederland
Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A.
- dd. Regulations
These Regulations Variable Pay Identified Staff, including all amendments made to it from time to time.
- ee. Retention Period
The period of one year during which the DRNs that have vested under the Variable Pay are blocked.
- ff. Retirement
The Participant's retirement in accordance with the Employer's pension scheme.

gg. Subsidiaries

All domestic and foreign legal persons:

- in which Rabobank Nederland (or any of its subsidiaries) (whether or not pursuant to an agreement with other persons with voting rights) can by itself or jointly exercise more than half of the voting rights in the general meeting;
- of which Rabobank Nederland (or any of its subsidiaries) is a member or shareholder and, whether or not pursuant to an agreement with other persons with voting rights, can by itself or jointly appoint or dismiss more than half of the management board members or supervisory board members, also if all persons with voting rights vote;

hh. Supervisory Board

The supervisory board of Rabobank Nederland

ii. Trading Day

Every day on which NYSE Euronext is open for trading.

jj. Variable Pay

Remuneration in the form of additional payments or benefits, whether or not made dependent on the Performance or other contractually recorded targets, including Welcome Payments.

kk. Welcome Payment

Payment for the expiry of (deferred) variable pay with the former employer, which is allowed when hiring a new employee solely for the first year of employment and to which the full cycle of risk alignment applies.

ll. Withholdable Payroll Tax and Social Security Contributions

The amount of payroll tax and any social security contributions, employee insurance premiums and income-related Health Insurance Act contributions to be withheld and transferred by the Employer in its capacity as withholding agent.