



Annual Report 2013

Rabobank Group



Rabobank

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The financial information set out on pages 140 to 147 has been derived from the 'Consolidated Financial Statements 2013 Rabobank Group' for which an unqualified independent auditor's report was issued on 24 February 2014.

Chairman's foreword

Rabobank has had a very turbulent year. It was characterised by challenging economic conditions and dominated above all by the outcome of the Libor settlements agreed by Rabobank with national and international supervisory authorities that led to a payment totalling EUR 774 million. The inadmissible conduct of a small group of employees of our bank has had huge consequences. Our customers, members, employees and other stakeholders would have never expected this from Rabobank, it's just not like Rabobank at all. I fully understand the outrage this has prompted both in and outside our organisation. This has had a major impact on us. The Executive Board has apologised for this on behalf of Rabobank. Appropriate steps have been taken against the employees involved and recovery measures have been agreed with the authorities.

We are entitled to set off a very large portion of the settlement amount of EUR 774 million for tax purposes, both in the Netherlands and abroad. We have voluntarily opted not to do so, however. This is a bill we have to foot ourselves. The full amount will therefore be paid by Rabobank and no one else, especially not the taxpayer.

Our employees have quickly got back into their stride and are working day in, day out to serve our customers. We have learnt a great deal from this and have put a comprehensive set of measures in place to reduce our risks, strengthen our compliance and improve our corporate culture. The Executive Board sets great store by the conscientious application of those measures and is closely involved in this process. Naturally, restoring the damaged reputation of our bank is a top priority.

The year 2013 was also eventful in terms of boardroom changes. We bade farewell to several members of the Executive Board. At the end of 2013 the Executive Board comprised five members again. The recruitment procedures for a Wholesale Markets Director and a permanent Chairman are in full progress.

Significant efforts were undertaken in 2013 to ensure full compliance with the increasing legislation and regulations. This will continue to be a major focus in the year ahead, not least because Rabobank will come under the direct supervision of the European Supervisory Authority.

Full-year net profit for 2013 was EUR 2,012 million. Earnings were significantly affected by several major events. Results benefited from the sale of Robeco and the transition to a new pension scheme. This non-recurring effect was more than offset, however, by the Libor investigation settlements, substantially higher impairments at Rabo Real Estate Group and the formation of provisions for reorganisation at the local Rabobanks as part of Vision 2016. [Solvency](#) remained robust with a [core tier 1 ratio](#) of 13.5%.



Rinus Minderhoud, Chairman of the Executive Board of Rabobank Nederland

The fundamental improvement of the tradability of the Rabobank Certificates has clearly increased their attractiveness, benefiting Rabobank's capital position.

Sustainability is becoming ever more deeply engrained in Rabobank's activities. Rabobank's new sustainability strategy focuses on accelerating efforts to increase the sustainability of worldwide agriculture and food supplies. Other key aims are to strengthen vital communities and the economic success of our customers. Rabobank is targeting a top 3 position in the global sustainability rating of the largest financial services providers by 2020. Rabobank reports on progress in its sustainability activities in 2013 in a separate Sustainability Report prepared for that purpose.

Key developments in 2013

The domestic retail banking division reported a slight decline in the private sector loan portfolio owing to lower demand and a falling market share in the Dutch mortgage market. In addition to the low number of transactions in the housing market, customers made additional repayments on their mortgages. Obvion and Rabobank have developed online applications enabling customers to access their mortgage loan files or enter data in their files. Customers are increasingly discovering the convenience of virtual services, including mobile banking. Retail customers use mobile banking every day, business customers use it several times a day. This gives customers a better understanding of their financial position. In Leiden, a test for contactless payments using mobile phones in shops was launched in tandem with other large banks. Partly on the basis of this pilot project, mobile banking is set to be introduced nationally in the Netherlands in 2014. These trends are continually accelerating and we are therefore giving undiminished priority to implementing our Vision 2016 strategy.

Amounts due to customers fell to EUR 329 billion and customer savings deposits rose to EUR 152 billion.

The harsh economic climate was also reflected in reduced lending to Dutch small and medium-sized businesses. Market share remained stable but the number of loan applications declined. Some of our customers had to contend with particularly challenging conditions in certain sectors. Customers also had to migrate to SEPA, which was a top priority for all banks in Europe in 2013 as required by the European Commission.

In 2012, the activities of Friesland Bank were merged into Rabobank Group. Since 2013, customers of Friesland Bank are served by local Rabobank branches and Rabobank International.

The international banking division achieved a profit despite the settlement payments. They benefited from positive results within Capital Markets, Acquisition Finance and Global Client Solutions. Results of the international rural and retail activities also improved. Economic growth resumed internationally, which led to a fall in bad debt costs at Rabobank International.

Rabobank is aiming for a leading international position as food and agri bank. Due to their limited contribution to its strategic targets and due to regulatory changes, Rabobank International decided to discontinue its Equity Derivatives operations. In addition it was decided to introduce further reorganisation at ACCBank and phase out its regular service provision to customers. The continued reduction of lending to non-core activities and the agreement reached on the sale of Bank BGZ contributed to the decrease in the overall loan portfolio. Combined customer savings deposits at the RaboDirect savings banks again grew strongly.

A gain of some EUR 1.6 billion was achieved on the sale of Robeco to Orix Corporation. At present, Rabobank is retaining a shareholding of just under 10% in Robeco to underline the strategic collaboration.

De Lage Landen reported clearly improved earnings due to a moderate growth of the lease portfolio accompanied by cost savings. The diversification of the portfolio across countries and sectors in combination with strict risk management resulted in a limited increase in value adjustments.

Rabo Real Estate Group was faced with major impairments on land holdings, revaluations of land operations and a significant increase in value adjustments of claims in the financing business, due especially to the lack of a recovery in Dutch real estate markets. Rabo Real Estate Group accordingly incurred a record loss.

2014

Rabobank is operating in a market characterised by continuing difficult conditions and an uncertain outlook. Rabobank is expecting fewer non-recurring items in 2014 than in 2013. Targeting the necessary systematic improvement in profitability, Rabobank has taken a range of cost-saving initiatives that will contribute to the operating result. Rabobank is optimistic about its long-term earnings outlook.

The Dutch economy is expected to stage a moderate recovery in the course of the year. This offers new opportunities for our customers and it is up to us to help them grasp these. We are also seeing green shoots of a recovery in the housing market. The global economy is picking up and the world's population is continuing its ceaseless growth. We have an inspiring mission for our Food and Agri strategy. That mission, which can make a significant contribution to the performance of the food chain, fits us like a glove.

The new top structure is being implemented which will provide integrated management for Rabobank Nederland and Rabobank abroad. Rabobank wishes to operate as one bank in the Netherlands and on the international stage.

The initiatives we announced for cost savings of EUR 220 million at Rabobank Nederland in combination with the restructuring at the local Rabobanks in progress as part of Vision 2016 will provide a major contribution to Rabobank's financial health. Unfortunately we will unavoidably have to release many good employees. Naturally, we will do so conscientiously, as a good employer and in close consultation with employee representation bodies.

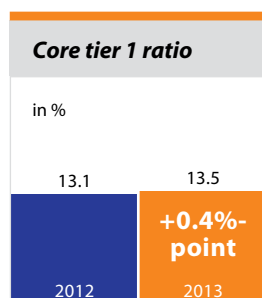
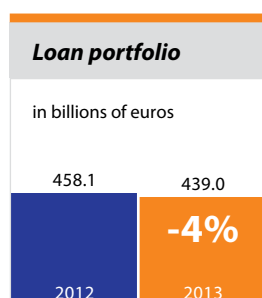
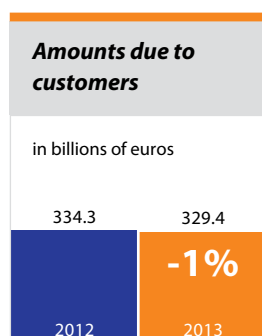
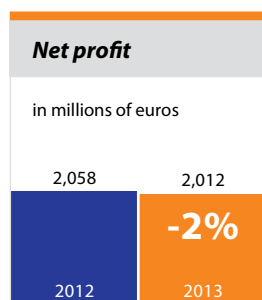
Rabobank is going through a transformation in response to changing customer behaviour, changing market conditions and revised regulatory requirements. Debates with customers, members, regulators and other stakeholders have given rise to questions about us and our culture. The Executive Board has therefore decided to implement a group-wide culture programme that focuses primarily on the attitudes and behaviours informing our day-to-day work.

Rabobank's foundation is strong and its cooperative model continues to offer undiminished value as well as opportunities for our customers and members. By actively participating in local communities and by moving towards virtual banking in combination with premium quality services, Rabobank is helping people and their communities to achieve their ambitions, as it always has done.

All employees of Rabobank are working hard to restore trust among our stakeholders. Our mission of serving customers' interests is unchanged.

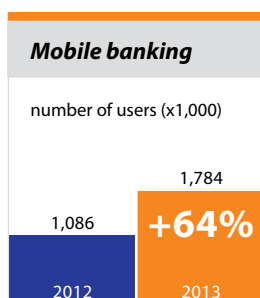
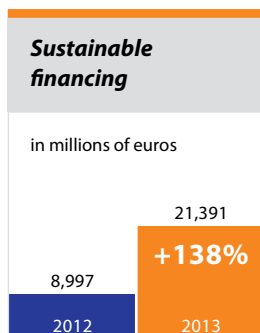
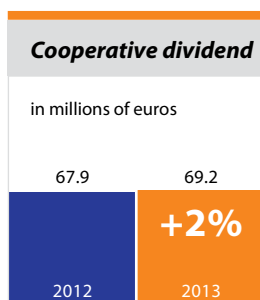
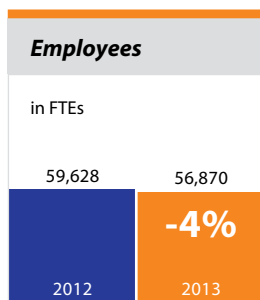
Rinus Minderhoud,
Chairman of the Executive Board of Rabobank Nederland

Key figures



Amounts in millions of euros	31-12-2013	31-12-2012	31-12-2011	31-12-2010	31-12-2009
Volume of services					
Total assets	674,139	750,710	731,665	652,536	607,483
Private sector loan portfolio	438,975	458,091	448,337	436,292	415,235
Amounts due to customers	329,400	334,271	329,892	298,761	286,338
Financial position and solvency					
Equity	40,037	42,080	45,001	40,757	37,883
Tier 1 capital	35,092	38,358	37,964	34,461	32,152
Core tier 1 capital	28,551	29,253	28,324	27,735	25,579
Qualifying capital	41,650	42,321	39,088	35,734	32,973
Risk-weighted assets	210,829	222,847	223,613	219,568	233,221
Profit and loss account					
Income	13,020	13,616	12,706	12,716	12,434
Operating expenses	9,765	9,003	8,252	8,196	8,038
Value adjustments	2,643	2,350	1,606	1,234	1,959
Bank tax expense	197	196	-	-	-
Taxation	68	158	355	514	229
Net profit	2,012	2,058	2,627	2,772	2,208
Ratios					
Total capital ratio (BIS-ratio)	19.8%	19.0%	17.5%	16.3%	14.1%
Tier 1 ratio	16.6%	17.2%	17.0%	15.7%	13.8%
Core tier 1 ratio	13.5%	13.1%	12.7%	12.6%	11.0%
Equity capital ratio	16.1%	15.3%	14.7%	14.2%	12.4%
Leverage ratio	4.8%	4.7%	-	-	-
Loan-to-deposit ratio	1.35	1.39	1.38	1.49	1.38
Return on equity	5.2%	5.4%	7.6%	8.6%	7.3%
Efficiency ratio	75.0%	66.1%	64.9%	64.5%	64.6%
Net profit growth	-2.2%	-21.7%	-5.2%	25.5%	-19.8%
Nearby					
Local Rabobanks	129	136	139	141	147
Branches	722	826	872	911	1,010
ATM's	2,524	2,886	2,949	2,963	3,063
Members (x 1,000)	1,947	1,918	1,862	1,801	1,762
Number of users of mobile banking services (x 1,000)*	1,784	1,086	410	136	12
Client satisfaction private individuals	7.2	7.5	7.5	7.6	7.6
Foreign places of business	769	759	761	682	624
Market shares (in the Netherlands)					
Mortgages	26%	31%	32%	29%	30%
Savings	38%	39%	39%	40%	40%
TIS	44%	43%	42%	42%	41%
Food and agri	85%	85%	83%	84%	84%
Ratings					
Standard & Poor's	AA-	AA-	AA	AAA	AAA
Moody's Investor Service	Aa2	Aa2	Aaa	Aaa	Aaa
Fitch	AA-	AA	AA	AA+	AA+
DBRS	AAA	AAA	AAA	AAA	AAA

* Users who log on at least once every three months.



Amounts in millions of euros	31-12-2013	31-12-2012	31-12-2011	31-12-2010	31-12-2009
Personnel data					
Number of employees (in FTEs)	56,870	59,628	59,670	58,714	59,311
Staff costs	5,330	5,325	4,862	4,919	4,603
Staff vitality score	67%	65%	65%	-	-
Absenteeism	3.5%	3.6%	3.9%	3.8%	3.7%
Females employed	53.5%	53.6%	53.9%	54.3%	54.8%
Females in senior positions (scales 8 to 11)	27.6%	27.4%	25.8%	24.6%	23.2%
Training expenses	91.2	89.1	93.0	87.9	86.8
Training expenses in EUR per FTE	1,603	1,530	1,587	1,497	1,464
Sustainable assets under management and held in custody					
Total sustainable assets under management and held in custody for clients	2,337	2,530	3,026	3,933	4,101
Private Banking sustainable assets *	12,376	4,686	3,138	1,247	126
Sustainable funding					
Rabo Green Savings **	2,140	1,222	948	425	360
Rabo Socially Responsible Deposits	100	-	-	-	-
Fund management					
Capital Public Fund Management	3,018	2,945	3,087	2,815	2,713
Sustainable financing					
Total sustainable financing ***	21,392	8,997	7,388	5,664	6,352
Sustainable	17,417	7,071	5,458	4,299	4,458
Access to finance	1,820	1,926	1,930	1,365	1,894
Social	2,155	-	-	-	-
Supporting local communities					
Rabobank Foundation (in the Netherlands and abroad)	16.3	19.8	15.7	21.7	18.7
Cooperative dividend (local Rabobanks)	44.1	42.8	37.0	28.3	25.8
Donations Rabobank Nederland and other group entities	8.0	4.6	5.2	4.2	3.3
Climate footprint ****					
CO ₂ -emissions attributable to business (x 1,000 ton CO ₂)	137	145	144	156	169
CO ₂ -emissions per FTE (tonnes CO ₂) *****	2.1	2.2	2.2	2.4	2.8

* Following the sale of Robeco, funds that were previously reported in Robeco's figures and that have been invested via Rabobanks are included in the Private Banking figures.

** The increase in Rabo Green Savings is attributable to the tax-privileged nature of this product.

*** A different methodology and approach were applied for KPI 1 in 2013. Prior-year comparative figures are not available for all elements of sustainable financing. Possible limited overlaps of indicators cannot be excluded due to differences in classifications and definitions.

**** CO₂ data for 2012 have been adjusted following correction of data in 2013.

***** Estimates have been used for the consumption of Friesland Bank, Obvion and Rabo Real Estate Group.

Financial developments

Eventful year closes with net profit of EUR 2 billion

Rabobank Group's results in 2013 were heavily affected by a few important events. The sale of Robeco and the transition to the new pension scheme had a non-recurring positive effect on the result. The settlements in connection with the Libor investigations, much higher impairments at Rabo Real Estate Group and the formation of provisions for reorganisation at the local Rabobanks as part of the Vision 2016 programme negatively affected the result, as did the lower result from hedge accounting and the higher value adjustments. On balance, the net result came to EUR 2,012 million, a modest decline of EUR 46 million compared to 2012. Solvency remained as strong as ever, with a core tier 1 ratio of 13.5%. Return on equity came to 5.2%, and the loan-to-deposit ratio improved to 1.35.

Value adjustments amounted to EUR 2,643 million, or 59 basis points of the average loan portfolio. This is a clear increase compared to the level in 2012, and also well above the long-term average of 28 basis points. Amounts due to customers and the Rabobank Group loan portfolio declined as a result of the agreement to sell Bank BGZ. Amounts due to customers fell by EUR 4.9 billion, and stood at EUR 329.4 billion. Demand for loans was low, and mortgage repayments increased. The euro moreover appreciated against various currencies. Combined with the agreement to sell Bank BGZ, these developments led to a 4% decline in Rabobank Group's private sector loan portfolio to EUR 439.0 billion.

Progress in realisation of financial targets

Rabobank Group's progress in the realisation of its strategic financial targets regarding profitability, solvency and [liquidity](#) is described below:

- The return on tier 1 capital - whereby the net profit is related to the level of tier 1 capital at the beginning of the year - came to 5.2% in 2013 (5.4%). While this is well below the target level, one has to remember that during difficult times for the Dutch economy and for business, Rabobank, with its large market shares, cannot remain immune. The aim is to improve our return to 8% in 2016, by concentrating fully on virtualisation of our services and by managing the group divisions with a greater emphasis on profitability.
- The core tier 1 ratio expresses the core tier 1 capital as a percentage of the [risk-weighted assets](#). In 2013, this ratio rose from 13.1% to 13.5%. The volume of tier 2 capital increased, and the capital ratio therefore also rose slightly. This ratio, which relates the qualifying capital to the risk-weighted assets, came to 19.8% (19%). Rabobank intends to increase its capital ratios over the coming years by improving its profitability and more specifically targeting the volume of its risk-weighted assets. In practical terms, Rabobank Group's target is a core tier 1 ratio of 14% and a capital ratio of at least 20% by the end of 2016.

- Lending declined in 2013 and there was a limited fall in amounts due to customers. The fall in amounts due to customers was less than the decline in lending. The [loan-to-deposit ratio](#), which shows the relationship between lending and amounts due to customers, thus improved to 1.35 (1.39). We expect to see only marginal growth in lending in the coming years. To achieve the intended improvement of the loan-to-deposit ratio to 1.3 in 2016, amounts due to customers will have to increase, both in the Netherlands and abroad.

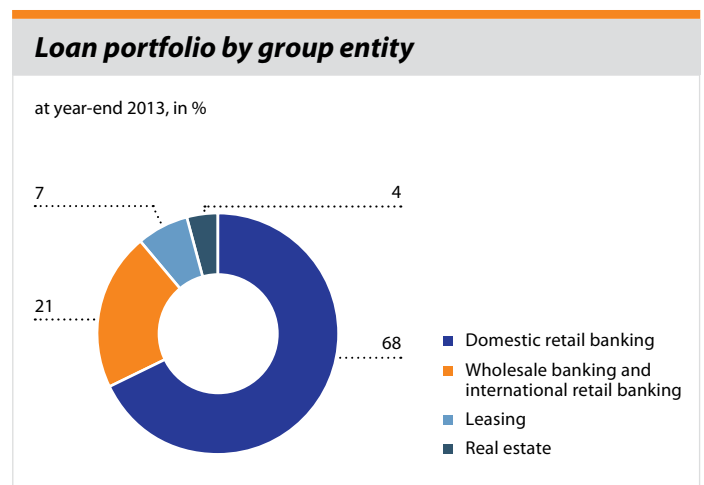
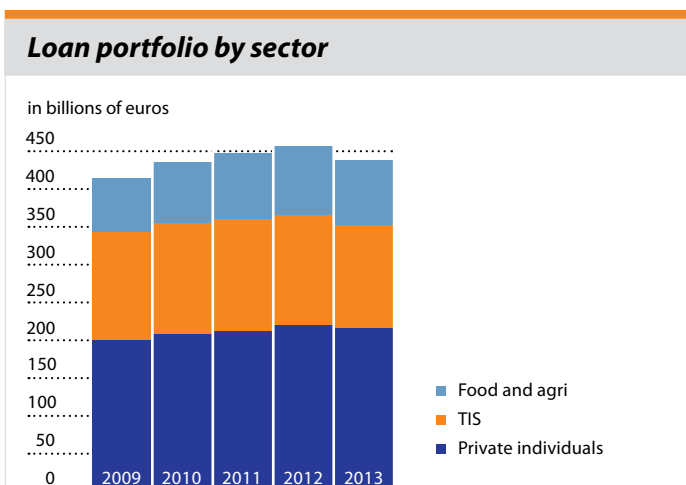
Completion of the divestment of Robeco

The acquisition of Robeco by the Japanese financial services provider Orix Corporation was completed in July 2013. The banking business of Robeco in the Netherlands has been transferred to Rabobank, with Robeco continuing to maintain the relationship with clients. Rabobank is retaining a shareholding of just under 10% in Robeco in order to demonstrate the continuing strategic collaboration. The sale price was approximately EUR 1.9 billion. The transaction led to a book profit of EUR 1,585 million in 2013, and increased the core tier 1 ratio by approximately 70 basis points.

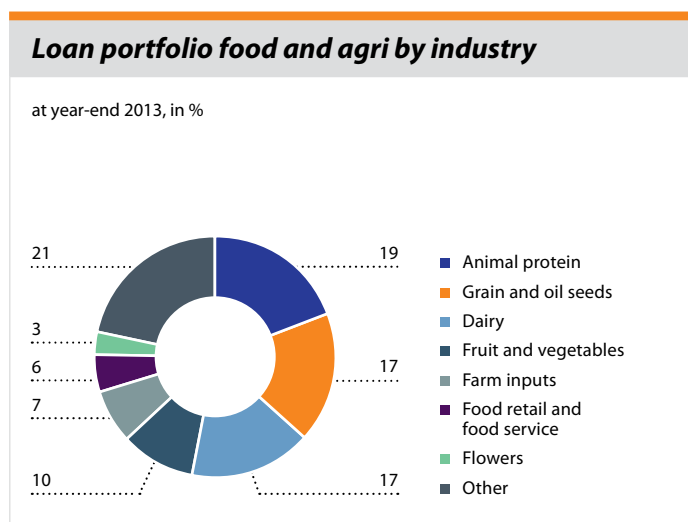
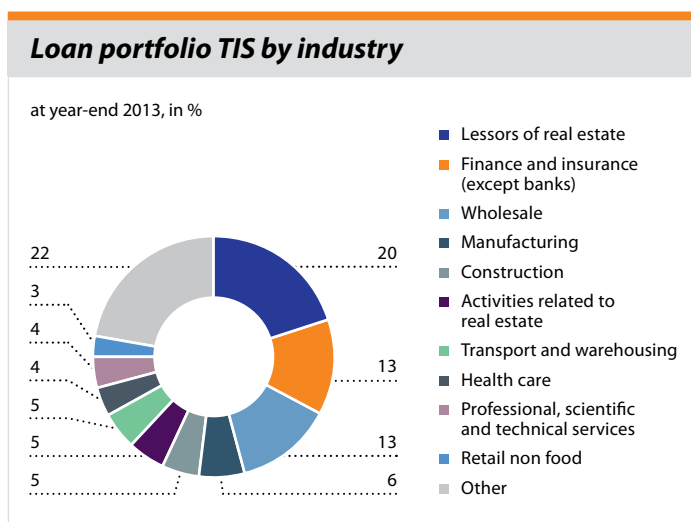
Decline in the private sector loan portfolio

The Dutch economy emerged from a long period of recession in 2013. Dutch exports rose on the back of the pick-up in world trade. In the second half of the year there was (albeit very modest) economic growth. This does not mean that the problems in the Netherlands have been dealt with; domestic consumption fell further in 2013, partly due to rising unemployment. Export-oriented companies were able to benefit from increased foreign demand, but companies whose business focuses more on the domestic market continued to struggle. Furthermore, the euro appreciated against both the US and the Australian dollar. Now that agreement has been reached regarding the sale of Bank BGZ, this bank is now classified as available for sale. This means that the loan portfolio of Bank BGZ, which on 31 December 2013 amounted to EUR 6.3 (6.6) billion, no longer forms part of Rabobank Group's loan portfolio. Due in part to these developments, Rabobank Group's private sector loan portfolio declined by 4% to EUR 439.0 (458.1) billion.

The loan portfolio at the local Rabobanks fell because of lower mortgage sales and higher mortgage repayments. The loan portfolios of De Lage Landen and FGH Bank remained more or less unchanged, while the loan portfolio of Obvion showed a slight increase. Geographically, 76% of the private sector loan portfolio is in the Netherlands, 12% in North and South America, 6% in Europe (outside the Netherlands), 4% in Australia and New Zealand and 2% in other countries.



49% of the private sector loan portfolio consists of loans to private individuals, 31% of loans to trade, industry and services (TIS) and 20% of loans to the food and agri sector. Due to higher mortgage repayments and the planned sale of Bank BGZ, the loans to private individuals (which mainly consists of residential mortgages) fell slightly to EUR 216.4 (220.0) billion. The volume of the TIS portfolio came to EUR 135.6 (145.6) billion; EUR 97.8 (103.6) billion of this amount is lent in the Netherlands and EUR 37.9 (42.0) billion in other countries. As a result of the appreciation of the euro against a number of other currencies and the derecognition of the loan figures for Bank BGZ at group level, lending to the food and agri sector declined by 6% to EUR 87.0 (92.4) billion. EUR 57.3 (60.0) billion of this amount is lent to the primary agricultural sector. The food and agri loan portfolio at group level consists of EUR 32.6 (33.0) billion in loans in the Netherlands and EUR 54.4 (59.4) billion in loans in other countries.

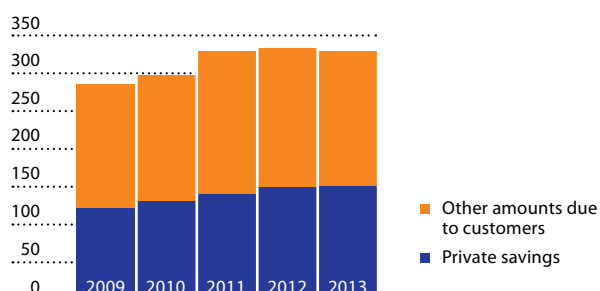


Slight fall in amounts due to customers

Amounts due to customers at Rabobank Group stood at EUR 329.4 (334.3) billion at the end of 2013. Amounts due to customers at the domestic retail banking division rose by EUR 1.2 billion to EUR 215.7 (214.5) billion, but fell at Rabobank International by EUR 6.3 billion to EUR 111.6 (117.9) billion due to the appreciation of the euro and the planned sale of Bank BGZ. Customer savings deposits are the largest component of amounts due to customers, and rose by 1% at group level to EUR 151.5 (149.7) billion. 83% of these savings are held at the domestic retail banking division, and 17% at the international retail banking division. Savings at the domestic retail banking division remained more or less stable at EUR 125.2 (124.7) billion. Savings at Rabobank International rose due to the successful raising of these funds through its direct banks outside the Netherlands. Savings raised through Direct Banking activities, excluding BGZ Optima, rose in 2013 by 23% to EUR 29.1 (23.6) billion. The negative publicity surrounding the Libor investigations had no significant effect on amounts due to customers in 2013.

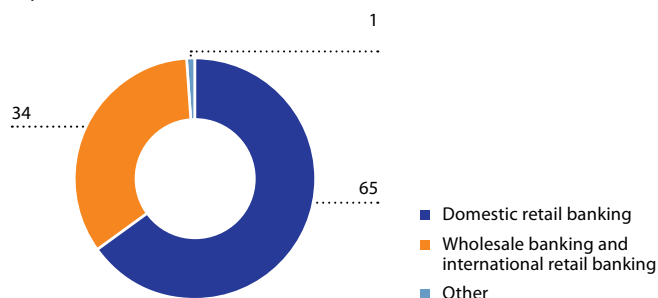
Amounts due to customers

in billions of euros



Amounts due to customers by group entity

at year-end 2013, in %



Funding

In billions of euros	31-Dec-13	31-Dec-12	Change
Total amounts due to customers	329.4	334.3	-1%
Customer savings deposits	151.5	149.7	1%
Domestic retail banking	125.2	124.7	
Wholesale banking and international retail banking	26.3	24.9	6%
Other group entities	0.0	0.1	
Other amounts due to customers	177.9	184.6	-4%
Domestic retail banking	90.5	89.8	1%
Wholesale banking and international retail banking	85.3	93.0	-8%
Other group entities	2.1	1.8	17%

Development of equity

Rabobank Group's equity amounted to EUR 40.0 (42.1) billion at the end of 2013. As usual, the payments on (equity) capital instruments of EUR 1.1 billion were charged to equity and EUR 0.9 billion of profits were added to capital. In addition, the downward revaluation in relation to pensions amounted to EUR 0.8 billion and the amount of outstanding Rabobank Member Certificates fell by EUR 0.8 billion in 2013.

Of equity, 61% consists of reserves and retained earnings, 15% of Rabobank Member Certificates, 21% of [hybrid capital](#) and 3% of other non-controlling interests. Retained earnings amounted to EUR 28.1 billion.

* As a result of changes to IAS 19, international accounting rules applying to pension liabilities, actuarial results have to be recognised directly in equity with effect from 2013. Previously these items were recognised using a deferral mechanism known as the corridor method. The change resulted in a decline in equity of EUR 2.3 billion as at 31 December 2012.

Development of equity

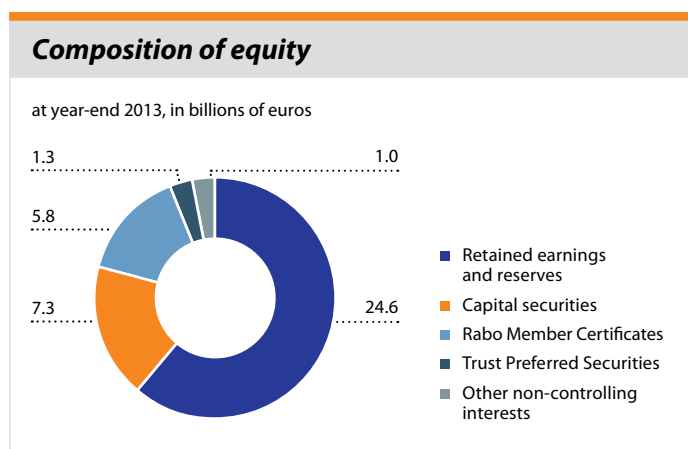
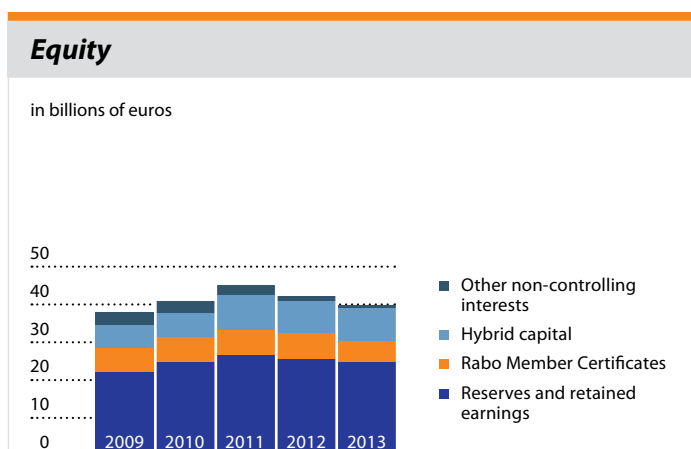
<i>in billions of euros</i>		
Equity at the end of December 2012		42.1*
Net profit	2.0	
Payments on Rabobank Member Certificates, hybrid capital and other non-controlling interests	- 1.1	
Reserve capacity		0.9
Revaluation of liability for pension entitlements		- 0.8
Change to Rabobank Member Certificates		- 0.8
Change in non-controlling interests		- 0.4
Foreign currency translation reserve		- 0.4
Repayment of hybrid capital		- 0.1
Other changes		- 0.5
Equity at the end of December 2013		40.0

Rabobank Member Certificates converted to Rabobank Certificates

In early 2014, Rabobank increased the tradability of Rabobank Member Certificates by listing the certificates on the stock exchange and thereby making them available for trading to non-members. As a result of the listing on Euronext Amsterdam, supply and demand will be determined by a public market with greater liquidity, and no longer by a relatively small internal market. The planned minimum distribution has been raised from 5.2% to 6.5% on an annual basis. The market listing was approved with a majority of 99.79% of the votes present by the holders of Rabobank Member Certificates at the certificate holder meeting on 14 January 2014. The certificates were listed on Euronext Amsterdam under the name of Rabobank Certificates with effect from 27 January 2014.

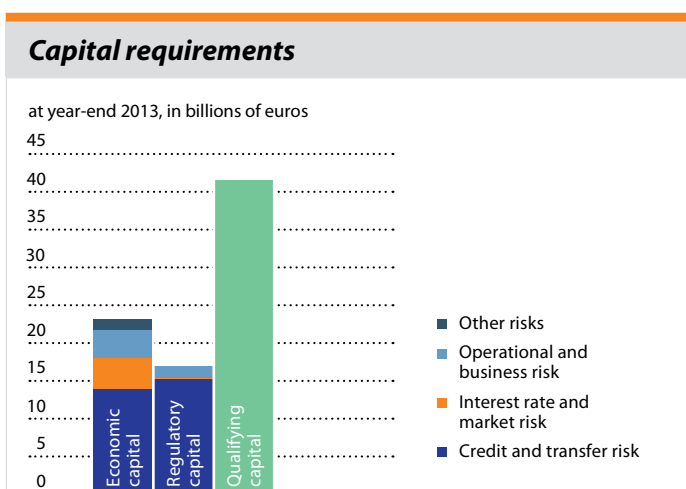
Development of capital ratios

The capital ratio, which expresses the relationship between the qualifying capital and the risk-weighted assets, stood at 19.8% at the end of 2013 (19.0%). The tier 1 ratio stood at 16.6% (17.2%) and the core tier 1 ratio came to 13.5% (13.1%). The common equity tier 1 ratio, calculated on the basis of full application of the Basel III rules (CRR/CRD IV), stood at 11.1% on 31 December 2013. This measure is also known as the fully loaded common equity tier 1 ratio. The equity capital ratio came to 16.1% (15.3%). This ratio shows the relationship between the balance of retained earnings and the Rabobank Member Certificates to the risk-weighted assets.



Of the revaluation reserve – pensions, which relates to the defined benefit plan placed with Stichting Rabobank Pensioenfond and terminated in 2013 and the Robeco pension scheme, and taking account of the correction provision in 'Q&A on the Effects of the Pensions Reporting Standard (IAS 19 Revised) for banks and investment firms in 2013' published by De Nederlandsche Bank (DNB), EUR 1,089 million has been deducted from the core tier 1 capital and EUR 1,993 million from the additional tier 1 capital. The pro forma Basel III leverage ratio stood at 4.8% (4.7%) on 31 December 2013, and is calculated by dividing the tier 1 capital on the reporting date by the volume of the balance sheet as defined in the Basel III document of June 2011. A number of changes were made to the definition in early January 2014. These are expected to lead to a slight increase in the leverage ratio.

Besides strengthening its capital ratios, Rabobank intends to change the composition of its capital. Rabobank strives to further increase the proportion of retained earnings and tier 2 capital in its capital, and to reduce the relative proportion of hybrid capital and the relative proportion of capital in Rabobank Certificates.



Regulatory capital

Rabobank Group's [regulatory capital](#) requirement stood at EUR 16.9 (17.8) billion at the end of 2013. The decline in the regulatory capital requirement was mainly due to the phasing out of non-core portfolios in the wholesale banking division, foreign currency effects and the sale of Robeco. 90% of the total capital requirement concerns credit and transfer risk, 9% relates to operational risk and 1% to market risk.

Rabobank Group calculates the regulatory capital for credit risk for virtually its entire loan portfolio on the basis of the Advanced Internal Rating Approach approved by DNB. The Standardised Approach is applied, in consultation with DNB, to portfolios with relatively limited exposure and to a few smaller foreign portfolios

that are not suited to the Advanced Internal Rating Approach. Operational risk is measured using the internal model approved by the Dutch regulator that is based on the Advanced Measurement Approach. Regarding market risk, Rabobank has obtained permission from DNB to calculate the general and specific position risk using its own internal value-at-risk (VaR) models, based on the rules of CAD II (Capital Adequacy Directive).

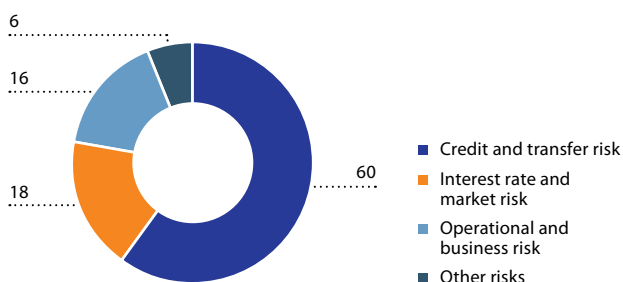
Economic capital

In addition to regulatory capital, Rabobank Group uses an internal capital requirement based on an economic capital framework. The key difference with regulatory capital is that the economic capital takes account of all material risks and assumes a higher confidence level (99.99%) than that assumed for regulatory capital (99.90%). A broad spectrum of risks is measured consistently to gain an understanding of these risks and to enable a rational weighing of risk against return. A series of models has been developed to assess the risks incurred by Rabobank Group. These are credit, transfer, operational, interest-rate and market risk. Market risk breaks down into trading book, private equity, currency, real estate and residual value risk. A separate risk model is used for the participation in Achmea.

The economic capital declined compared to 2012 to EUR 23.2 (24.3) billion. The economic capital for credit risk declined mainly as a result of the phasing out of non-core portfolios. The economic capital for operational risk declined, mainly due to the implementation of a new model.

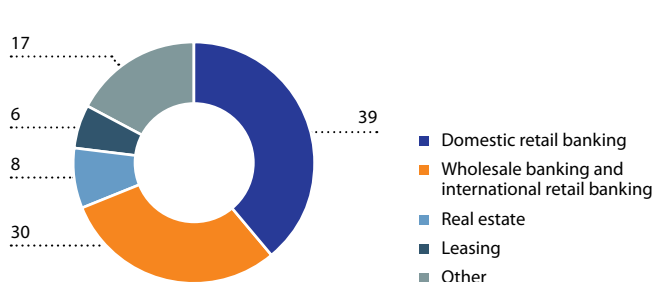
Economic capital by risk category

at year-end 2013, in %



Economic capital by group entity

at year-end 2013, in %



The available qualifying capital of EUR 41.7 (42.3) billion that is retained to compensate for potential losses is well above the level of the total economic capital. The sizeable buffer underlines the financial solidity of Rabobank Group.

Excellent liquidity position

EDTF recommendation 4

Rabobank Group has a very strong liquidity position, with a buffer of EUR 121 (157) billion. The decline in the buffer in absolute terms is due to the intentional reduction of professional [funding](#), especially in the first half of the year, meaning that a lower buffer is appropriate. The composition of the liquidity buffer is: 32% in deposits held at central banks, mainly the European Central Bank (ECB) and the Federal Reserve (FED), 32% in government debt and 36% in other financial assets, mainly securities held internally as collateral for residential mortgages provided by Rabobank (RMBS). The net stable funding ratio (NSFR) shows the [liquidity risk](#) in the long term. Based on the most recent proposals by the Basel Committee (January 2014), the NSFR stood at 114% at year-end 2013. On the basis of previous proposals, the NSFR was 102% (102%). The Basel Committee still has to establish the requirements set for the NSFR in more detail. The liquidity coverage ratio (LCR) shows the liquidity risk in the short term, and stood at 126% (145%). Rabobank thus amply meets the LCR requirement of 60% as at 1 January 2015 and the future LCR requirement of 100% that will apply from 1 January 2018. Encumbered assets are subject to specific claims by investors. Encumbered assets for funding purposes came to 4.4% (4.6%) of total assets, adjusted for the derivatives position.

Financial results of Rabobank Group

Results			
<i>in millions of euros</i>	2013	2012	Change
Interest	9,093	9,171	-1%
Commission	2,000	2,228	-10%
Other results	1,927	2,217	-13%
Total income	13,020	13,616	-4%
Staff costs	5,325	5,494	-3%
Other administrative expenses	3,912	2,983	31%
Depreciation	528	526	
Operating expenses	9,765	9,003	8%
Gross result	3,255	4,613	-29%
Value adjustments	2,643	2,350	12%
Bank tax expense	197	196	1%
Operating profit before taxation	415	2,067	-80%
Taxation	68	158	-57%
Net profit from continued operations	347	1,909	-82%
Net profit from discontinued operations	1,665	149	
Net profit	2,012	2,058	-2%
Bad debt costs (in basis points)	59	52	13%
Ratios			
Efficiency ratio	75.0%	66.1%	
Return on equity	5.2%	5.4%	
RAROC	8.4%	8.8%	
Balance sheet (in billions of euros)	31-Dec-13	31-Dec-12	
Total assets	674.2	750.7	-10%
Private sector loan portfolio	439.0	458.1	-4%
Amounts due to customers	329.4	334.3	-1%
Capital requirements (in billions of euros)			
Regulatory capital	16.9	17.8	-5%
Economic capital	23.2	24.3	-5%
Qualifying capital	41.7	42.3	-1%
Capital ratios			
Total capital ratio	19.8%	19.0%	
Tier 1 ratio	16.6%	17.2%	
Core tier 1 ratio	13.5%	13.1%	
Number of employees (in FTEs)	56,870	59,628	-5%

* The figures for 2012 have been adjusted.
See the financial statements, section 2.1.1. Changes in accounting policies and presentation.

Notes to the financial results of Rabobank Group

Net profit of EUR 2,012 million

Rabobank Group realised a net profit of EUR 2,012 (2,058) million in 2013. The sale of Robeco and the transition to the new pension scheme as part of the Collective Labour Agreement concluded in the Netherlands in May 2013 positively affected the result. The settlements following the Libor investigations pressured the result. The net effect of these three

extraordinary and non-recurring items on the result was positive. The much larger impairments on real estate and land holdings and the lower result from hedge accounting had a negative effect. The result was also pressured by the provisions for reorganisation formed at the end of 2013 at the local Rabobanks in connection with the Vision 2016 programme. These factors on balance led to a slight decline in the result compared to 2012.

The reserve capacity, which is the net profit after deduction of non-controlling interests and after the payments on Rabobank Member Certificates and hybrid capital instruments, came to EUR 929 (843) million. This amount has been added to the capital of Rabobank Group. Corporation tax came to EUR 68 (158) million; this corresponds to an effective tax burden of 16.4% (7.6%). One reason for the relatively low tax burden was the untaxed results on associates, such as the interest in Achmea.

Income down 4%

Rabobank Group's total income fell by EUR 596 million to EUR 13,020 (13,616) million in 2013. Interest income remained more or less stable at EUR 9,093 (9,171) million. This was due to a restoration of the margin on savings at the local Rabobanks and the loss of part of the interest income due to the sale of Sarasin. Sarasin was still contributing to commission income for six months in 2012. Partly due to the absence of this income, commissions declined by EUR 228 million to EUR 2,000 (2,228) million in 2013. Since Robeco was still included in the figures as a discontinued operation at the end of 2012, the sale of this division did not lead to a change in commission income compared to 2012.

The other results rose as a result of the transition to the new pension scheme, however this item was negatively affected by higher impairments on real estate and land holdings and the lower result from hedge accounting. On balance, other income was down EUR 290 million at EUR 1,927 (2,217) million.

Operating expenses up 8%

Rabobank Group's total operating expenses rose by EUR 762 million to EUR 9,765 (9,003) million in 2013. The staff complement declined by 2,758 FTE in 2013, to 56,870 (59,628) FTE, 1,387 FTE of which was due to the sale of Robeco. There was also a decline of 1,689 FTE at the local Rabobanks and Friesland Bank. The employee expenses at Sarasin were still included in the operating expenses at group level for six months in 2012. The decline in the staff complement, in combination with the absence of the expenses for Sarasin, caused employee expenses to decline by EUR 169 million to EUR 5,325 (5,494) million.

Other administrative expenses rose at Rabobank International as a result of the settlements relating to the Libor investigations. At Rabobank Nederland, other administrative expenses increased due to higher costs of innovation associated with the further development of the virtual customer service as part of Vision 2016.

Moreover, both the local Rabobanks and Rabo Real Estate Group faced higher costs of reorganisation. The implementation of Vision 2016 led to heavy cuts in staff at the local Rabobanks, and a decision was made to phase out the commercial real estate development activities at Rabo Real Estate Group. The sale of Sarasin on the other hand led to a reduction in other administrative expenses. On balance, other administrative expenses came to EUR 3,912 (2,983) million. Depreciation and amortisation charges remained virtually unchanged at EUR 528 (526) million.

Bad debt costs at 59 basis points

Value adjustments at Rabobank Group came to EUR 2,643 (2,350) million in 2013, a marked increase compared to 2012. There was a further increase in bad debt costs at Rabo Real Estate Group due to the continuing poor state of the real estate market in the Netherlands. For the local Rabobanks, commercial real estate, inland shipping and greenhouse horticulture also suffered in 2013. In addition, the low level of domestic spending led to difficulties for sectors focusing on the domestic retail market. Export-oriented companies were able to benefit from the increase in world trade. The total value adjustments at the domestic retail banking division were slightly above the high level seen in 2012. At Rabobank International, which has a more internationally diversified portfolio, the level of value adjustments fell. At De Lage Landen, value adjustments rose slightly. In relation to the average loan portfolio, the bad debt costs for Rabobank Group came to 59 (52) basis points on an annualised basis. This is significantly higher than the long-term average of 28 basis points.

RAROC down 0.4 percentage points

Risk Adjusted Return on Capital (RAROC) is used to weigh return and risk in a consistent manner. RAROC is also used for pricing at transaction level and in the loan approval process. RAROC is calculated by relating the net profit to the average economic capital. Rabobank Group's RAROC after tax declined by 0.4 percentage points to 8.4% (8.8%) in 2013, due to an increase in the average economic capital and a lower profit level.

RAROC is calculated by relating the net profit to the average economic capital during the year.

<i>amounts in billions of euros</i>	RAROC		Economic capital	
	2013	2012	2013	2012
Domestic retail banking	8.6%	16.3%	9.1	9.1
Wholesale banking and international retail banking	0.7%	8.4%	7.0	7.9
Leasing	30.6%	27.6%	1.4	1.3
Real estate	-42.8%	-6.4%	1.9	1.8
Total	8.4%	8.8%	23.2	24.3

The outlook for Rabobank Group

The result in 2013 was affected by three extraordinary and non-recurring items that on balance had a positive effect on the result. Moreover, the resolution levy, a non-recurring levy resulting from the nationalisation of SNS REAAL, will reduce the result by EUR 320 million in 2014. Operating performance will improve in 2014. The return from the commercial divisions is expected to rise. We expect costs to be lower in 2014, and also that impairments on real estate and land holdings and value adjustments will be lower.

Rabobank expects economic growth in the Netherlands to be very modest in 2014.

Higher export growth is continuing, however a further decline in private consumption will limit the rate of growth. In the light of this outlook, only marginal growth in lending is expected. The recovery in the housing market appears to be continuing, and the prospects for the development of the housing market in 2014 are favourable; a moderate increase in transaction volume compared to 2013 is expected. Amounts due to customers will increase slightly, partly due to higher deposits at the International Direct Retail Banking operations.

Strategy

Strategic Framework 2013-2016: cooperative, robust and sustainable

Rabobank wants to be nearby its customers, be at the heart of society and focus on sustainable development. Its banking products and services should be as simple as possible and meet actual client needs. Rabobank engages in universal relationship banking, both in the Netherlands and abroad. It wishes to continue do so, based on its cooperative identity and principles. Our employees have a key part to play in achieving this. Among other things, a robust bank must have adequate capital and liquidity buffers. In order to achieve this, the reserves must continue to grow and the amounts due to customers must grow faster than the bank's lending. Measures have been taken in order to effect the desired changes. The ambitions for the local Rabobanks and Rabobank Nederland have been further elaborated in the Vision 2016 programme. An important element in this is that the costs of the domestic retail banking division have to fall from EUR 4.5 billion in 2011 to EUR 4 billion in 2016. A new sustainability strategy has also now been formulated. Although Rabobank will look different in 2016, it will still be a cooperative, robust and sustainable bank.

Strengthening our cooperative nature

Based on its cooperative origins and structure, Rabobank puts the customer's interests at the heart of its service provision, with a focus on the long term. On the basis of its cooperative principles, Rabobank always strives to help its clients in a responsible way, especially in times of economic difficulty. The cooperative identity needs to be strengthened in order to maintain our distinctive profile. Rabobank is thus developing initiatives designed to increase the influence and involvement of its members. In December 2013, the Central Delegates Assembly decided that Rabobank should more explicitly link its cooperative mission to its banking services. This starts with the financial services provided to customers on a daily basis, but increased participation in local and virtual networks is also required.

Catering to the Dutch market

In the Netherlands, Rabobank's ambition is to offer its customers suitable products from a position of strength. Sufficient scale is needed for successful product development and innovation, and to be able to operate efficiently. Its market leading position in the Netherlands enables Rabobank to achieve the required scale. Rabobank is the market leader in savings, in SMEs, in the wholesale segment and in the food and agri market. Rabobank intends to maintain these leading positions and strengthen its position selectively in areas where its ambitions have not yet been realised. Although Rabobank's share of the mortgages market declined in 2013, with the local Rabobanks and Obvion it still has a strong position in this market.

Changing customer needs are forcing us to critically evaluate our entire service chain, from the local Rabobanks to Rabobank Nederland. Customers want to do their banking through mobile telephony and internet as far as possible. Customers and members can go online for advice as well as for transactions and services such as internet banking or applying for a bank card. The customer decides which channel they prefer to use. Personal advice continues to be available if the customer requests it, for instance regarding complex products or if there is a need for this in relation to legislation and regulations.

Ultimately, Rabobank strives to achieve a model in the Netherlands that combines treating customers fairly with a competitive cost structure. On the basis of its cooperative principle of restraint in business conduct, Rabobank is striving to structurally reduce costs at the local Rabobanks and Rabobank Nederland. Without additional measures, the costs of the domestic retail banking division would rise from EUR 4.5 billion in 2011 to EUR 5 billion in 2016. The target is to reverse this direction and restrict costs to at most EUR 4 billion by 2016. The reduction of the staff complement at the local Rabobanks by 8,000 FTE is part of this process. Costs at Rabobank Nederland will have to be at least EUR 220 million lower in 2016 than they were in 2013; this is expected to involve the loss of between 1,000 and 2,000 jobs.

In this context, investments were made in 2013 in the virtual provision of services and a large number of branches were closed, with mergers taking place between local Rabobanks. The number of local Rabobanks has been reduced to 129. Standardisation and virtualisation should ultimately lead to improved customer service at lower cost. The local Rabobanks will also make the most of opportunities for using the cooperative dividend more effectively. The involvement and presence of local Rabobanks in their local communities and the environment in which customers and members live will not be threatened by this.

Wholesale banking and international retail banking division and subsidiaries

The wholesale banking division in the Netherlands and the subsidiaries contribute to the retention of our leading position in the Dutch market. Outside the Netherlands, Rabobank wants to strengthen its position as an innovative and leading food and agri bank. In the corporate market in the Netherlands, Rabobank intends to defend and strengthen its position where possible, with less of an explicit focus on lending where this is possible. The growth potential for the international wholesale banking division and De Lage Landen will be limited. There is some growth potential reserved for the rural and retail banking division for strengthening operations in a small number of key countries so that scale benefits can be realised. The activities of the international wholesale banking and international rural and retail banking divisions and the subsidiaries will have to focus mainly on food and agri, serve the real economy and be manageable and responsible from a risk perspective. The contribution of the various activities to the achievement of group targets will moreover come under greater scrutiny. Synergies between the various group entities will also be strengthened further. With regard to investment products, the local Rabobanks have been offering their customers the option of choosing between various providers for many years. As a consequence, the role of Robeco within Rabobank Group has gradually changed. Furthermore, the introduction of the ban on inducements on 1 January 2013 has permanently changed the distribution model for investment funds. Partly in the light of these developments, the strategic options for Robeco were reviewed in 2012, and this ultimately led to completion of the sale of Robeco to Orix Corporation on 1 July 2013.

Rabobank Group has a 29% shareholding in Achmea. Achmea is Rabobank's strategic partner in the area of insurance products.

Employees

Rabobank introduced a culture programme in 2013 in order to increase employee involvement and to understand how employees can contribute to our common goals and an optimal customer service. The programme focuses on employees' attitude and behaviour in our daily business. As a cooperative bank, Rabobank is convinced that the values of respect, integrity, sustainability and professionalism must be endorsed by and embedded in all our employees.

In accordance with its strategy, Rabobank introduced a more modest and restrained terms of employment package during the reporting year that is more in line with other sectors. The new Collective Labour Agreement applies from 1 July 2013 to the end of 2015. The main agreements are: abolition of the variable remuneration, no general wage increase, replacement of the social statute with a severance plan (Sociaal Plan) and a change to the pension scheme. Abolition of the variable remuneration will be partly compensated by a wage increase of 1.5% in 2014.

Sustainably stronger together

The new sustainability strategy, whereby Rabobank will focus on accelerating efforts to increase the sustainability of agriculture and food supplies around the world, was formulated in 2013. Strengthening vital communities and sustainable economic success for our customers are also important objectives. This policy will be formally ratified in 2014.

Rabobank strives to achieve a top 3 position in the global sustainability rating of the largest financial services providers in 2020. Based on the evaluation of RobecoSAM and compared to the banks listed in the global Dow Jones Sustainability Index, Rabobank's provisional score has fallen from 83 to 81 points. Rabobank thus stands in 17th place in 2013, compared to 10th place in 2012. With the implementation of its new sustainability strategy, Rabobank expects to be able to achieve a higher score in future. The Transparency Benchmark of the Ministry of Economic Affairs is an important indicator in the Netherlands. The Benchmark is an annual review of the content and quality of public reporting by Dutch companies. Rabobank rose from 20th to 11th in the general ranking during the reporting year.

Financial frameworks

Adequate capital and liquidity buffers determine financial robustness. These buffers are thus prerequisites and are vital for retaining a high credit rating and good access to professional funding. The requirements for the capital and liquidity buffers of Rabobank are also increasing due to tighter legislation and regulations. At the same time, it is clear that the pace of growth of Rabobank over the last 25 years is no longer sustainable. Lending grew much faster than amounts due to customers and the increase in retained earnings in this period. As a result, Rabobank increasingly had to turn to professional sources of funding and capital instruments. Recent years have shown that the limits of this old growth model have been reached. In the future, the maximum growth of lending will be determined by growth in amounts due to customers and annual additions to the reserves.

The potential for increased lending will remain limited until the end of 2016. Demand for loans in the Netherlands will be restricted by the economic conditions and the situation in the housing market. The potential areas of growth outside the Netherlands will be exploited selectively. For instance, there will be some growth in the international rural and retail banking division in order to strengthen our business in certain key countries. Choices will be made where this is needed. For example, Bank BGZ in Poland will be sold and ACCBank in Ireland will be run down, while the activities in Turkey will be expanded. There is little potential for growth of the assets of the wholesale banking division and De Lage Landen. Otherwise, the emphasis will be on increasing the volume of amounts due to customers and the further diversification of professional funding.

Although Rabobank does not seek to maximise profit, healthy profit growth is important for ensuring continuity, security and selective growth. Since reorganisation is currently in progress at various divisions, the branch network in the Netherlands is being slimmed down and various activities are being phased out, costs are still at a high level for the time being. Rabobank is also facing substantial value adjustments and large impairments on real estate as a consequence of the weak economy. The result in 2014 will furthermore be negatively affected by the one-off resolution levy in relation to the nationalisation of SNS REAAL, and in subsequent years further costs are expected in connection with the Dutch deposit guarantee scheme and the European resolution fund. Nevertheless, Rabobank is maintaining its ambition to have permanently improved its liquidity and capital ratios and profitability by 2016. Selective growth in lending and ensuring that amounts due to customers grow faster than lending, the dependence on professional sources of funding will be diminished.

Events during the past year have led to sales of certificates by holders of Rabobank Member Certificates. A total of EUR 1 billion in Rabobank Member Certificates was definitively withdrawn in 2013. This also reflects our capital strategy, whereby the importance of Certificates will be reduced. By offering the opportunity to purchase certificates to institutional investors as well and opening the certificates to trading on the stock market, the tradability of the certificates has been increased.

The capital strategy is moreover designed to reduce the relative proportion of hybrid capital and to increase the relative proportion of tier 2 capital, which will reduce costs. Ultimately retained earnings will have to rise in future, whereby the group-wide focus will be on restraint and cost control.

In practical terms, Rabobank Group's financial targets for year-end 2016 in the areas of profitability, solvency and liquidity are as follows:

- return on tier 1 capital of 8%;
- core tier 1 ratio of 14% and capital ratio of more than 20%;
- loan-to-deposit ratio of 1.3.

If the limited economic growth seen in recent years continues until the end of 2016, it will be a challenge to achieve these ambitious targets.

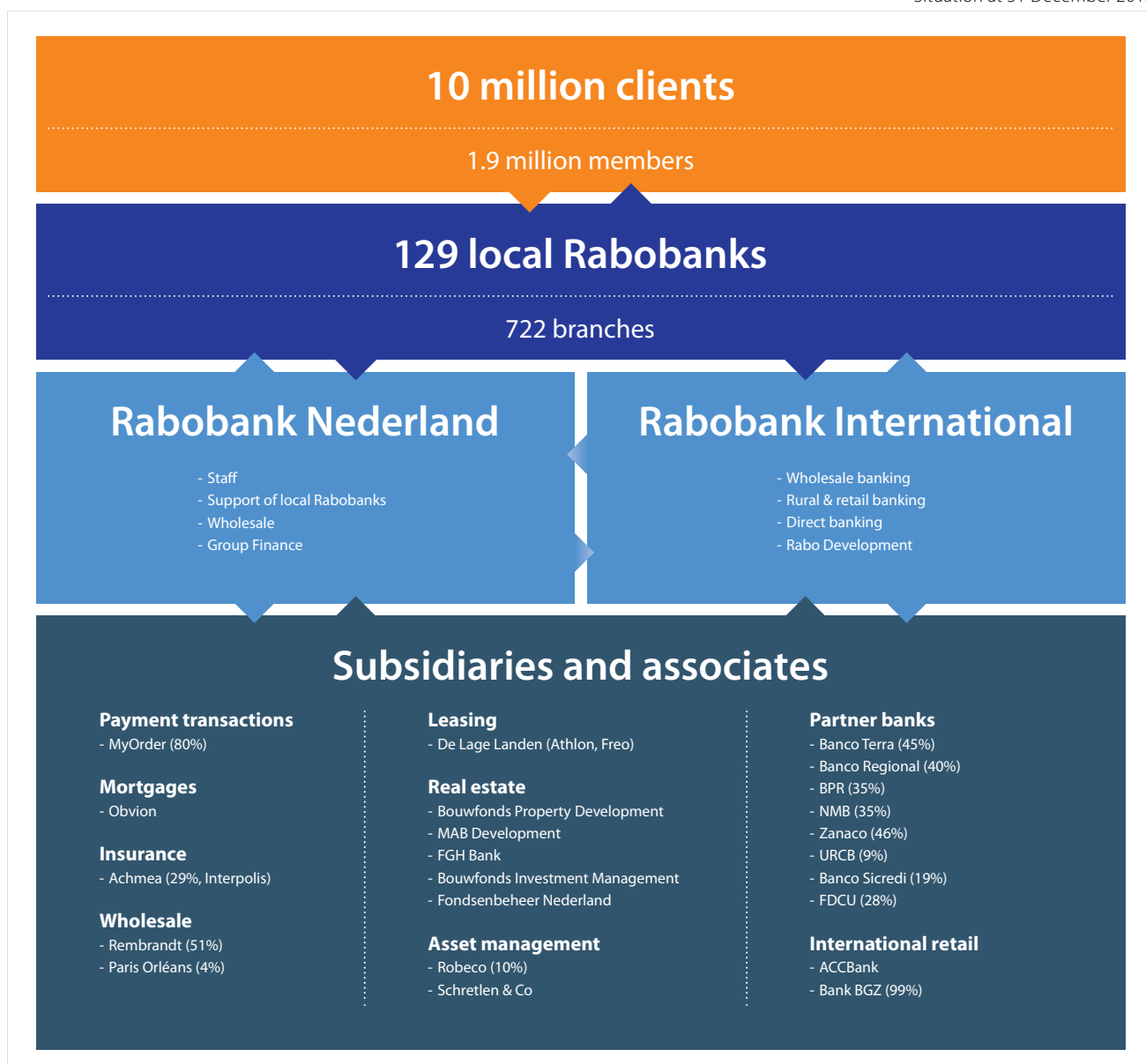
Financial targets Strategic Framework	Target for year-end 2016	Actual 2013	Contribution to target after 2013
Profitability			
Return on tier 1 capital	8%	5.2%	<ul style="list-style-type: none"> • EUR 1 billion cost savings at the domestic retail banking division. The staff complement at the local Rabobanks will decline by 8,000 FTE by year-end 2016. The complement at Rabobank Nederland will decline by between 1,000 and 2,000 FTE. • Higher return on capital invested at all other divisions. • Composition of capital changes: relatively less Rabobank Certificates and hybrid capital, relatively more tier 2 capital and retained earnings.
Solvency			
Core tier 1 ratio	14%	13.5%	<ul style="list-style-type: none"> • Sale of Bank BGZ. • Divisions will be managed strictly on the basis of their capital requirement.
Capital ratio	>20%	19.8%	
Liquidity			
Loan-to-deposit ratio	130%	135%	<ul style="list-style-type: none"> • Improvement of the loan-to-deposit ratio at local Rabobanks by 1-2% percentage points in 2014. • Diversification of funding sources and further growth of savings at International Direct Retail Banking.

Cooperative and governance

The cooperative model is the foundation under the Rabobank organisation. Almost two million clients in the Netherlands are members of their local Rabobank. Members can voice their views and participate in decision-making on the policy of the local Rabobank via a Members council, thereby ensuring that the local Rabobanks remain in touch with the community of which they are part. 'Cooperative banking' is based on four focus areas that are connected with the financial products and services of Rabobank: a long-term relationship, commitment to a better world, participation and solidity. These focus areas have been incorporated in the principles of cooperative customer service adopted in the Central Delegates Assembly in 2013.

A detailed description of Rabobank and its business model is available on the [corporate website](#).

Situation at 31 December 2013



Rabobank is characterised by its cooperative structure and local ties. At the end of 2013, the Rabobank organisation numbered 129 (136) local Rabobanks. Several mergers of local Rabobanks took place in 2013 to improve their professionalism and competitive position. Merger decisions are taken by the Members council of each individual bank concerned. The number of customers of the local Rabobanks rose from over 7.4 million to 7.5 million, while the number of members increased from 1,918,000 to 1,947,000. Rabobank has some 43,000 (45,000) employees in the Netherlands and some 18,000 (19,000) employees outside the Netherlands.

Cooperative customer service

The cooperative is embedded and embodied in every mortgage consultation, business consultation or asset management consultation. A typical example is represented by Rabobank Almere, which joined forces with the municipality and several large businesses to strengthen the town's position by establishing the 'Almere Fund' to provide start-up assistance for young entrepreneurs.

The cooperative is also clearly recognisable in product and policy development. Rabobank develops products and services on the basis of clients' needs. Clients can use a virtual ideas box, the www.denkmeemetjebank.nl portal, to provide input on products in development. This virtual portal was introduced in 2013 as part of a pilot project. At the end of 2013, 1,472 clients were registered on the platform across 15 participating local Rabobanks. A total of 375 questions were asked, eliciting an average of 29 replies for each topic. The platform will continue to be developed in 2014 and made accessible so as to intensify dialogue with customers and members.

Rabobank Group global presence

Including the Netherlands, Rabobank Group operates in 41 countries around the world with Rabobank and its subsidiaries. The countries in which Rabobank holds non-controlling interests or runs projects are not included in the list of countries in which Rabobank Group operates.

Rabobank International has offices in 661 locations in 30 countries.

Rabobank Group

Argentina | Australia | Austria | Belgium | Brazil | Canada | Cayman Island | Chile | China | Curacao | Czech Republic | Denmark | Finland | France | Germany | Hungary | India | Indonesia | Ireland | Italy | Japan | Luxembourg | Malaysia | Mauritius | Mexico | New Zealand | Norway | Poland | Portugal | Romania | Russia | Singapore | South Korea | Spain | St. Maarten | Sweden | Switzerland | The Netherlands | Turkey | United Kingdom | United States

41 countries

Rabobank International

Argentina | Australia | Belgium | Brazil | Canada | Cayman Islands | Chile | China | Curaçao | France | Germany | India | Indonesia | Ireland | Italy | Japan | Luxembourg | Malaysia | Mauritius | Mexico | New Zealand | Poland | Russia | Singapore | Spain | St. Maarten | The Netherlands | Turkey | United Kingdom | United States

30 countries

Rabobank Foundation

Bolivia | Brazil | Cambodia | Colombia | Ecuador | Ethiopia | Ghana | India | Indonesia | Ivory Coast | Kenya | Laos | Mali | Mexico | Mozambique | Nicaragua | Peru | Philippines | Rwanda | Senegal | Sri Lanka | Tanzania | The Netherlands | Uganda | Vietnam

25 countries

Rabobank Foundation focuses on projects in 25 countries.

Rabo Development

Brazil | China | Ethiopia | Ghana | India | Ivory Coast | Mozambique | Nigeria | Paraguay | Philippines | Romania | Rwanda | Tanzania | Vietnam | Zambia | Kenya | Peru | South Africa

20 countries

Furthermore, Rabo Development holds non-controlling interests in eight partner banks and provides advice and support for various projects.

Rabobank has an active presence in virtual networks. Towards the end of 2012, Rabobank established the cooperative WeHelpen together with Achmea, BureauVijftig, CZ, Menzis, PGGM, The Caretakers and VitaValley. The cooperative WeHelpen is an online marketplace for finding and pooling, organising and sharing help. In 2013, the site www.wehelpen.nl was developed into a platform for matching demand and supply for help. The platform also provides the option of organising, discretely, care for one or more people who need help.

An attractive example in which Rabobank participates in community initiatives is Rabobank Zaanstreek. With its partners Zaans Medisch Centrum and the municipality of Zaanstad, Rabobank Zaanstreek looks ahead at developments in healthcare, engaging in dialogue with various stakeholders in the field. A healthcare community has been started, and members of Members councils are approached with a view to contributing to this community. Rabobank seeks to mobilise the support of these members, their networks and Rabo employees in getting local businesses on board to support initiatives centred around the theme 'care and exercise'. The entire bank is involved in those activities, from the members to the managing director.

Cooperative dividend

Every year, the local Rabobanks set aside part of their net profit for the cooperative dividend. The local Rabobanks invest that money in local communities and in the greening of society. But this is not just about money; the local Rabobanks also free up staff to make a contribution. Members and their representatives play an important part in decisions on how to use the cooperative dividend. In addition to funds paid through the local Rabobanks, the cooperative dividend consists of contributions to Rabobank Foundation and community funds of Rabobank. The cooperative dividend made available in 2013 totalled EUR 69.2 (67.9) million.

Cooperative dividend				
<i>in millions of euros</i>	2013	2012	2011	2010
Cooperative funds (local Rabobanks)	44.1	42.8	37.0	28.3
Donations by Rabobank Nederland and other group entities	8.0	4.6	5.2	4.2
Rabobank Foundation (in and outside the Netherlands)	16.3	19.8	15.7	21.7
Project fund	0.0	0.0	1.1	0.9
Award money Herman Wijffels Innovation Award	0.2	0.1	0.1	0.1
Share4more	0.6	0.6	1.1	0.7
Total community funds and donations	69.2	67.9	60.2	55.9

An example of projects for which the cooperative dividend can be used is the donation by Rabobank Uden-Veghel. Rabobank Uden-Veghel supports the energy cooperative Uden, with financial support, human resources, marketing and communication. Rabobank made a donation to help launch the cooperative. The chairman of the board and the communications advisor are both members of the initiative group for the cooperative. After its foundation, the communications adviser will continue to act as sparring partner for the board. Rabobank Uden-Veghel also provided the speaker for the official launch meeting of the cooperative and the local Rabobank 'Dichterbij' members magazine carried a feature on the energy cooperative Uden.

Community sponsorship

Rabobank's sponsorship focuses on activities that contribute to social themes.

Through sponsorship, Rabobank aims for instance to increase the participation of young people in sports and culture. In 2013, Rabobank became Partner in Sport of the Netherlands Olympic Committee * Netherlands Sports Federation. Rabobank also supports equestrianism, field hockey, amateur cycling and Marianne Vos's women's cycling team. A focus on young people and talents is a core element of these initiatives. Disability sports as well as arts and culture likewise continue to feature strongly in Rabobank's sponsorship portfolio. In 2013, a total of EUR 53.1 (68.7) million was spent on social sponsoring.

Community sponsorship				
<i>in millions of euros</i>	2013	2012	2011	2010
Rabobank Nederland, Communications Department	20.4	30.3	25.1	24.1
Rabobank International and other group entities	7.8	11.0	9.7	11.8
Local Rabobanks	24.9	27.4	27.0	24.1
Total community sponsorship	53.1	68.7	61.8	60.0

Ethical dilemmas

Rabobank Group employees who are faced with an ethical dilemma can refer the issue to the Ethics Office. One of the main goals of the Ethics Office is to promote dialogue on such dilemmas. The Ethics Committee, which is chaired by the Chairman of the Executive Board of Rabobank Nederland, advises all Rabobank group entities on ethical questions. Issues discussed by the Ethics Committee in 2013 included the following: ethical dilemmas in the development of new ICT applications, the development of virtual currencies, the exploration and production of shale gas, the bankers' oath and the development of disciplinary law. For specific examples of ethical dilemmas that are discussed by the Committee, reference is made to the [corporate website](#). The Ethics Office provides services to various group entities with a view to promoting expertise and culture development and is also closely involved in the programme for continuing professional education for the supervisory boards of local Rabobanks.

Reputation

Reputation buffer of Rabobank narrowed

In the past few years, Rabobank had been reasonably successful in evading the financial sector's weak reputation. Rabobank had a substantial reputation buffer, in which its advantage over the closest large rival bank was often more than 10 percentage points.

The announcements on the Libor settlement have adversely impacted Rabobank's reputation in the Netherlands. The various reputation indicators slipped to significantly lower levels.

	2013 Nov-Dec (after Libor settlement)	Annual average 2013	Annual average 2012	Annual average 2011
Rabobank as a cooperative				
Awareness of Rabobank as a cooperative	81%	81%	76%	74%
Positive rating of Rabobank as a cooperative	50%	56%	57%	59%
Rabobank's image				
Involved	No. 1: 28%	No. 1: 32%	No. 1: 36%	No. 1: 40%
Lead over No. 2	10 percentage points	15 percentage points	17 percentage points	21 percentage points
Nearby	No. 1: 42%	No. 1: 46%	No. 1: 49%	No. 1: 53%
Lead over No. 2	9 percentage points	13 percentage points	14 percentage points	18 percentage points
Leading	No. 1: 33%	No. 1: 37%	No. 1: 41%	No. 1: 44%
Lead over No. 2	5 percentage points	10 percentage points	12 percentage points	14 percentage points
Trustworthy	No. 1: 30%	No. 1: 39%	No. 1: 46%	No. 1: 50%
Lead over No. 2	3 percentage points	12 percentage points	14 percentage points	17 percentage points
Bank preference				
Preference for Rabobank	No. 1: 48%	No. 1: 52%	No. 1: 53%	No. 1: 54%
Lead over No. 2	3 percentage points	9 percentage points	10 percentage points	12 percentage points

These figures are based on a survey by the research agency No Ties. Every year, over 5,000 people in the Netherlands are interviewed about the reputation of the various banks in the Netherlands. They are asked which reputation indicators they associate most strongly with which banks (multiple answers are possible). This results in scores for the banks on each of the various reputation indicators.

Rabobank is no longer given the benefit of the doubt. This means that clients are adopting a more critical stance with regard to Rabobank's conduct. It is more important than ever for Rabobank's conduct to demonstrate what it stands for as a cooperative bank. No comparable data are available for other countries in which Rabobank operates. The adverse reputation impact of the Libor settlement appears to be limited at the international level.

Sustainability

A new policy framework was presented in 2013 for the way in which Rabobank seeks to implement sustainability. Rabobank's sustainability agenda builds on existing activities and is an essential element in Rabobank Group's strategy up to the end of 2016. In the first instance, this relates to the strategic plan for the Dutch banking division, in which sustainability is a key component in the contemporary implementation of cooperative customer service. In addition, sustainability is a building block in the strategy for Rabobank's international activities. The most noticeable synergy are in the bank's food and agri-strategy, where sustainability constitutes a key element in Rabobank's social contribution and distinctive customer service on a global scale.

Policy

Rabobank matches its ambitions with those of its customers, with whom it jointly strives for a healthy balance between wealth and well-being, spearheading the themes of sustainable agriculture and food supply and vital communities. Rabobank's [corporate website](#) contains a link to the external standards and principles to which Rabobank has committed itself.

Rabobank has formulated the following ambitions for 2020:

- We help our clients to accelerate the greening of agriculture and food supply and thereby also support their business success.
- We strengthen the vitality of the communities in which we operate.
- We offer all our business customers optimum access to our sustainability knowledge and cooperate on the basis of a shared understanding of the sustainability performance of our large corporate clients, enabling them to gradually improve this performance and thereby achieve long-term business success.
- Our retail customers find our products and services easy to understand and clear in terms of their sustainability impact.
- A top 3 position in two leading sustainability ratings of the largest financial services providers operating worldwide.

At the end of 2013 the portfolio allocation in the Executive Board was changed, as part of which Mr Marttin became responsible for sustainability. There were no other changes in the reporting year in terms of the management and organisation of sustainability at Rabobank Group. More information is available on the [corporate website](#).

Agriculture and food supply

The world's population and consumption are growing continually. The earth now needs eighteen months to sustainably produce what people consume in a year. Its population is projected to grow to 9 billion people by 2050, all of whom will want access to sufficient, safe and nutritious food. The agricultural sector is facing a substantial challenge to meet the growing demand for food and approach raw materials in a different way. It will not just have to produce more, it will also have to do so in a more sustainable manner than it already does. Rabobank wants to

contribute to this. Rabobank's ambition as a globally operating food and agri bank is to work with local agricultural businesses and international companies to accelerate the greening of agriculture and food supply.

In 2011, Rabobank entered into a partnership with the Worldwide Wildlife Fund (WWF) with the mission of establishing projects and practical examples jointly with clients to achieve a sustainable food supply. This relates principally to cooperating in International Food & Agri projects within the chain to advance its greening. Rabobank and WWF helped a palm oil business in Indonesia to meet the criteria for obtaining certification for the Round Table on Sustainable Palm Oil (RSPO). At the end of 2013, Rabobank and WWF agreed to renew the partnership to April 2017. Internationally, also the salmon farming project in Chile was started in 2011 and developed further in 2013. In addition, a partnership agreement was signed in 2013 with various international parties in the fishing industry to develop an instrument for measuring sustainability performance. In the Netherlands, Rabobank launched a cooperation in 2013 with Friesland Campina.

Vital communities

In response to receding government support and a market that often fails to meet their needs, people are taking the initiative themselves again across a wide range of areas.

Organising initiatives cooperatively is the contemporary thing to do once more.

People driving such initiatives often turn to Rabobank for expertise, contacts and financial support. This can relate as much to small-scale agricultural businesses in developing countries as it does to sustainable power generation, small-scale healthcare, fibre-optic networks and groups of start-up businesses in the Netherlands. Rabobank believes that organising initiatives cooperatively contributes to the greening of society and it aims to promote an increase in the number of cooperatives worldwide. Rabobank supports community initiatives and thereby strengthens people's self-sufficiency in the Netherlands and worldwide.

Greening of housing

In 2013 Rabobank and ASN Bank, together with the national government, decided to establish a National Energy Savings Fund (Nationaal Energiebespaarfonds, or NEF). With the NEF, homeowners can take out a low-cost loan with effect from 21 January 2014 to finance energy-saving measures. Rabobank contributed EUR 175 million to the fund, ASN Bank EUR 50 million and the national government EUR 75 million, making for a total of EUR 300 million for the NEF for private homeowners. NEF is a fund that provides loans that are returned to the fund upon repayment, after which the money can be used for new loans. At the time of the launch of the NEF and the Energy Savings Loan at the start of 2014, Rabobank also introduced the Sustainable Housing Programme. This programme, which was developed in 2013, offers practical information on sustainability and housing for private individuals and businesses.

Activities

Rabobank Foundation

Rabobank Foundation can look back on a 40-year history of investing in people's self-sufficiency around the world. Rabobank's social fund offers underprivileged people in the Netherlands and abroad a sustainable future in a group context. An aim that – today more than ever – ties in with Rabobank's cooperative identity. Support from Rabobank Foundation abroad is aimed at providing access to finance, knowledge and markets for small farmers through cooperatives. Rabobank Foundation thereby contributes both to combating poverty and to addressing the global food issue. In the Netherlands, Rabobank Foundation helps to increase the economic and social self-sufficiency of underprivileged people by giving them access to education, work and social activities such as sports and culture.

In 2013, a total of EUR 24.9 million (including the contribution of EUR 8.5 million from local Rabobanks) was awarded to 186 projects in the Netherlands and abroad. In the Netherlands, 21 projects received donations totalling EUR 2.5 million. Rabobank Foundation helped to fund 165 projects outside the Netherlands by providing microfinance, donations, advisory services, trade finance and guarantees for a total of EUR 22.4 million, to savings and loan cooperatives and farmer/producer organisations in 27 developing countries.

Impact investing

Increasing numbers of investors are seeking not just financial returns but quantifiable social returns as well. Rabobank offers a range of investment products for institutional customers with impact goals, aimed at agriculture and food, clean technology and sustainable development of small farmers. Investment products for private individuals and private banking customers at Rabobank meet the criteria for socially responsible investment. Examples of entities offering impact products within Rabobank are Rabo Farm, Dutch Greentech Fund, the Rabo Rural Fund and the Inclusive Business Fund.

Rabo Farm is an investment manager that develops funds for institutional investors seeking to invest in farmland and farms (agriculture). In view of the world's rapidly growing global population and the challenges posed by the shrinking acreage of suitable farmland, increasing scarcity of water and mineral resources, decreasing biodiversity and many years of underinvestment in agriculture, intelligent solutions are required to continue to feed the world's population in the future as well. Through its various funds, Rabo Farm invests in countries where farmland is not producing as much as it potentially could. Doing more with less is the goal. The present fund, the Rabo Farm Europe Fund I, totalling EUR 315 million, focuses on Central and Eastern Europe and has built up a portfolio of farms and farmland in Poland and Romania. Part of the investment budget available is used to work with farmers on the modernisation of the farms and land improvement to make these more productive and efficient in a sustainable manner. In addition to solid financial returns, these investments contribute to strengthening the local and the global food security.

The Dutch Greentech Fund (DGF) is a venture capital fund that invests in ambitious businesses with pioneering innovations that contribute to greening within the food & agri, bio-based and cleantech sectors. DGF is an alliance between Rabobank, Delft University of Technology, Wageningen UR and WWF. The fund invests up to EUR 2.5 million per company in the form of venture capital. Examples of businesses in which DGF has invested are: Meatless, a company producing plant fibres that are used in vegetarian and mixed-meat products, and Ampyx Power, which has developed an innovative 'Airborne Wind Energy' technology. Protix Biosystems and Waste2Chemical are examples of investments by DGF in a circular economy. More information is available on www.dutchgreentechfund.nl.

Rabo Rural Fund provides access to financing for farmers' cooperatives and small and medium-sized enterprises in developing countries, with the aim of increasing the prosperity of small producers. Its main tool is trade finance for exports of products including coffee, cocoa, cotton, nuts, peppers and sugars. Rabo Rural Fund awarded funding and guarantees to 27 projects for a total of EUR 10.5 million in 2013. Cordaid is a co-investor in the Rabo Rural Fund.

At the end of 2013 a new fund was established to match up impact investors and socially responsible businesses in developing countries and emerging markets. Rabobank Foundation works with ICCO and the BoP Innovation Center in the Inclusive Business Fund. The intention is get more parties on board to increase the fund's financial resources. No financing was provided yet from this fund in 2013.

Rabobank is examining options to pursue impact investing more vigorously and has the ambition to grow further in financing and services for customers in sectors with a positive social impact. Rabobank assist those customers in placing equities and bonds. It will also add products and services to its range that target not only financial returns, but expressly aim to generate a positive social impact as well, such as impact deposits. Together with PGGM and FMO, Rabobank launched the Impact Alliance in 2013: an initiative for jointly advancing the development and application of a methodology for measuring and monitoring social impact.

Social dialogue

Rabobank is a socially responsible business that actively enters into dialogues with stakeholders on issues with a significant impact on the bank, its customers and society at large. The groups of stakeholders that have been identified for this purpose are customers, employees, customer interest groups, government agencies and social welfare organisations (NGOs). Dialogue can be initiated by the stakeholders. Alternatively, Rabobank invites expert social welfare organisations that are willing to enter into dialogue to express their views on Rabobank's policies as they are being defined. Rabobank is also involved in periodic talks with a number of social welfare groups.

In the reporting year, Rabobank engaged in dialogue with social welfare organisations about the following issues.

Discussion partner	Topic of discussion	Result
UN Global Compact	Sustainable agriculture	Rabobank contributed to multi-stakeholder dialogue on the contents of the Sustainable Agriculture Principles of the UN GC. Rabobank initiated Dutch stakeholder consultation on this in conjunction with UN Global Compact Network Netherlands.
FAO and OECD	Sustainable agriculture	Contribution to multi-stakeholder dialogue with regard to responsible agricultural investments
FAO	Sustainable agriculture	Contribution to multi-stakeholder dialogue with regard to Responsible Agriculture Investment Principles (RAI) of FAO
IFC and Dutch Ministry of Foreign Affairs	Sustainable agriculture	Contribution to investigation by multi-stakeholder feedback group of greening of agriculture on the basis of voluntary and non-voluntary mechanisms
OECD Responsible Business Conduct Programme	Responsible trade chains, particularly clothing industry in Bangladesh and implementation of OECD guidelines for the financial sector	Contribution to multi-stakeholder consultation and transparency of Dutch financial sector
Oxfam Novib, Friends of the Earth Netherlands, Worldwide Wildlife Fund	Land grabbing by palm oil businesses in Africa and Asia	<ul style="list-style-type: none"> Talks with NGOs on their reports and views Rabobank took the initiative for dialogue with a company, together with other international banks. Discussed indications from NGOs in talks with customers
Oxfam Novib	Wildfires in connection with palm oil businesses in Indonesia	Rabobank and RSPO do not permit 'open burning'. There are no indications of involvement of business customers.
Oxfam Novib	Good governance in connection with land and land use (land grabbing)	<ul style="list-style-type: none"> Explained policy Consultation with Oxfam Novib on new draft policy
Fair Bank Guide	General bank policy, livestock transport, transparency, human rights, sustainable real estate, ship scrapping, ethics of corporate income tax	Cooperated in all investigations of the Fair Bank Guide
Society for the Protection of Animals	Cross-border shopping for docking of draft horses and haflingers	Consultation ongoing
Greenpeace, Oxfam Novib	Climate policy and complaints about steel company and gas company	Complaints included in risk monitoring
Centre for Research on Multinational Corporations	Transparency of banks' lobbying activities	Discussed with NGO. Rabobank undertook to publicly explain views on financial sector regulation on website and in external reporting
Oxfam Novib, Dutch Ministry of Foreign Affairs	Indications of land grabbing by suppliers of business client from indigenous communities in Brazil in connection with sugar industry	Investigated internally. Explained facts and position.
Dutch Ministry of Foreign Affairs	Responsible approach to investments in various trade chains, on the request of the Minister of Foreign Trade	Explained Rabobank's policy and approach. Rabobank seeks responsible investments on the basis of sustainability policy, screening of customers, engagement with businesses on practical application of policy and through contributions to multi-stakeholder organisation (Round Tables) for greening of agricultural commodities
Dutch Ministry of Economic Affairs	New forms of climate financing	Contribution to multi-stakeholder dialogue
Dutch Ministry of Economic Affairs	Tripartite consultation on soybeans and palm oil	Contribution to multi-stakeholder dialogue with national government and social welfare organisations
Media	Position on shale gas	In response to questions in the media on Rabobank's policy on the exploration and production of shale gas, an extensive investigation was launched into the way in which customers of Rabobank in the Netherlands, the US, Australia and New Zealand are involved in shale gas and what the views of customers and social organisations are. Rabobank's position will be formulated on that basis.
Retail customers	Various topics	The Cooperative & Sustainability department has answered questions from fifteen retail customers on a range of sustainability topics, which reflected the issues stated above.

Contributing to worldwide sustainable food security is one of the spearheads of Rabobank's sustainability policy. Rabobank actively participates in various 'round tables', multi-stakeholder initiatives for various commodities such as palm oil (RSPO), soybeans (RTRS), cotton (Cotton Fast Track Programme IDH), and beef (GRSB, GTPS) with a view to the greening of value chains in the food and agri sector.

Rabobank moreover works with intergovernmental organisations, industry and business and social welfare organisations. Examples include the programme for sustainable agriculture of the Global Compact of the United Nations. The bank also works in partnership with organisations including IDH, Solidaridad and the WWF.

Sustainability policy: ship scrapping and recycling

Policy was formulated in the reporting year on responsible scrapping and recycling of ships. This policy is intended to contribute to reducing scrapping of ocean-going ships in yards with poor conditions for employees and adverse effects on health, safety and the environment. Rabobank's position is that scrapping ocean-going ships in poor conditions and with adverse effects for employees and the environment is unacceptable, it points out the risks of doing so to businesses and promotes the application of international standards and best practices by shipping companies and ship owners.

Good governance and respect for people and the environment in connection with land use

In the reporting year, Rabobank further clarified its position on good governance in connection with land and land use. Draft policy was discussed with social welfare organisations such as Oxfam Novib and Landesa (US). Rabobank was also involved in various palm oil and soybean chain projects of the United Nations, the [OECD](#), the Dutch government and multi-stakeholder organisations. These projects are based on widely supported principles for sustainable agriculture and good governance practices in connection with land and land use. In addition, Rabobank is involved in various initiatives of social welfare organisations and government bodies working on the same challenges and issues. Lastly, Rabobank invested in its capacity for engagement and risk analysis with businesses on this topic. Indications received by Rabobank concerning possible land grabbing in connection with customers of Rabobank were investigated in all cases and discussed with the businesses concerned. The outcome was that an engagement process was set up with two businesses.

Human rights and arms industry

Investments in cluster munitions have been legally banned since 1 January 2013. Rabobank updated its Armaments Industry Policy to reflect these new rules. The policy was also tightened in respect of activities in countries with controversial regimes. Rabobank wants no involvement whatsoever with such regimes. Regimes qualify as controversial if they are subject to an arms embargo as well as to financial sanctions and travel restrictions imposed by the United Nations, the United States and/or the European Union. Internally, Rabobank worked on tightening procedures designed to avoid any involvement with controversial arms. Every quarter, an external review is performed for Rabobank into businesses that are involved in controversial arms and it screens its portfolio on the basis of the most recent available information.

Rabobank's policy on taxation

Rabobank is transparent in its conduct in respect of the tax authorities, with regard both to the facts and to the (intended) tax consequences of its conduct and possible tax issues. As part of horizontal supervision, Rabobank has signed a cooperation agreement with the tax authorities in the Netherlands, and similar agreements have been signed in several other countries (Great Britain, Australia).

Rabobank applies a customised policy for complex transactions that is intended to ensure, from a tax compliance perspective, that the bank acts in accordance with the aims of tax laws and does not cooperate in transactions primarily designed to evade taxes. The tax authorities are expected to pursue an approach that does justice to a reasonable application of the law and to the rights of Rabobank as a taxpayer. Rabobank applies a policy principle that it does not provide tax services or perform trust activities.

In all countries in which it is active, Rabobank remits taxes in accordance with the aims and purport of the law. It also does not engage in artificially reducing the effective tax burden. Evidently, this does not mean that Rabobank remits more tax than reasonably derived from the law, as the bank does not accept unnecessary expenditure in the form of taxation. Moreover, terms such as 'fair share' and 'a reasonable application of the law' always remain open to debate. Rabobank therefore does not aspire to absolute correctness and consistency in this connection, but always transparently presents the choices it has made and possible areas of doubt to the competent tax authorities. Rabobank gives them an opportunity to express their views in good time and takes account of those views in its considerations regarding the choices to be made.

Through banking investments in and involvement with locally established financial institutions, Rabobank aims to make a positive contribution to the economies of developing countries. The same applies to the charitable activities of Rabobank Foundation. Rabobank does not aim to be involved in or via developing countries in tax constructs that lead to lower tax payments.

Customer dialogue

The aim of Rabobank's customer dialogue is to facilitate discussion with customers of risks in environmental, social and governance issues (such as human rights, biodiversity and other topics) in connection with financial products and services and to limit the adverse effects of those risks. In the reporting year, Rabobank developed a systematic and structured approach for entering to dialogue with customers in case of controversies involving customers.

In addition, the risk analyses of customers are being improved in order to aid timely identification of risks and proactively discuss them with customers to prevent problems in their operations or value chains. The basis for the engagement process is Rabobank's sustainability policy for 12 sectors, as well as policy on human rights and biodiversity. That policy is decisive for the financing process and for talks with customers on internationally accepted norms and standards and the minimum standards applied by Rabobank.

Talks in the palm oil industry are an example of dialogue with customers. This dialogue was conducted in various ways: (1) dialogue with individual customers on the risks and possibilities of improving their operations following allegations of non-compliance with international norms and standards set by the Round Table on Sustainable Palm Oil (RSPO); (2) dialogue with customers via the RSPO on the basis of Rabobank's role as a board member; and (3) joint dialogue with palm oil customers on various topics on behalf of their financial services providers. In 2013, Rabobank engaged in dialogue with 5 customers on topics ranging from sustainable land management on palm oil plantations to human rights issues.

Dialogue with governments

2013 was a year full of new legislative initiatives for banks, especially from Europe. This part of the annual report states the most important issues for Rabobank that were considered in 2013, the institutions they were discussed with and the positions Rabobank adopted.

Stakeholders in politics in The Hague and Brussels

Given their impact on its clients and operations, Rabobank closely follows political developments in The Hague and Brussels. Rabobank seeks to contribute to good legislation and policies that are effective and sufficiently supported, and to be a partner in dialogue on a range of social issues. Representatives of Rabobank discuss financial sector reforms primarily with the Ministry of Finance, the Dutch Central Bank, the Netherlands Authority for the Financial Markets, the Standing Committee on Finance of the Lower House of Parliament, the Confederation of Netherlands Industry and Employers (known as VNO-NCW), the European Commission, the European Parliament and the European Central Bank. Sometimes they do so directly and sometimes via the Dutch Banking Association (NVB), the European Association of Cooperative Banks (EACB) or the European Banking Federation (EBF). Rabobank also sets store by good contacts with other Ministries, such as Economic Affairs; Foreign Affairs; and Health, Welfare and Sport. A representative has been appointed for contacts with EU institutions.

Rabobank seeks to maintain regular contact with all relevant policymakers. Thus Rabobank participated in the Round Table on the future of banks in the Lower House in 2013. The Chairman of the Executive Board also held a keynote speech at the Sustainable Finance Lab on the future of the banking sector. In addition, Rabobank organised working visits for various political parties and civil servants from several ministries in 2013. The topics that were discussed on those occasions included the Banking Union, the structure of the banking sector, the housing market and lending. Position papers on these topics are available on Rabobank.com.

European regulations largely determine agenda for reforms

Numerous legislative initiatives are being launched in Brussels. Only a few can be discussed here. The most notable in 2013 were the European directive and regulation for higher capital buffers (CRD IV and CRR) and preparations for the European Banking Union, which will exercise direct supervision over the category of around 130 largest banks in Europe, including Rabobank. The decisions on the creation of resolution funds, a European directive for recovery and resolution and bail-in are closely related to those initiatives. These reforms are intended to make the banking sector more stable. A strengthened European basis will moreover create a more level playing field. These topics were discussed repeatedly with European and Dutch policymakers. Through the special interest associations Rabobank put forward suggestions for directives being drafted for that purpose in Brussels, and for the Dutch input at meetings of the European policymaking bodies. Rabobank supports the general direction of the reforms, while proposing the inclusion of certain conditions. For instance, Rabobank supports the Single Supervisory Mechanism if solid, watertight agreements are in place between the ECB and the Dutch Central Bank DNB, if there is no confusion about the respective decision-making powers of the Dutch Central Bank and the ECB nor about the legal certainty of decisions of the ECB. In the event of disputes about decisions, it must be possible to contest them at a European level, for instance at a special section of the European Court of Justice. Rabobank will only consider a joint European resolution fund to be acceptable if adequate, suitably regulated European supervision is in place, as well as an effective entry screening for banks participating in the fund.

Progress on the Single Euro Payments Area (SEPA) is a major European priority. Cashless payments will migrate to a single European standard as of 1 August 2014. The payments departments of all European businesses and banks will have to comply with the same European standards for processing cashless payments and direct debits from that date. An enormous amount of work has been done behind the scenes to make this a reality, comparable to the preparations for the introduction of the euro. Another European directive that significantly affects banks is the Markets in Financial Instruments Directive (MiFID). The European Commission has revised the MiFID with a view to market regulation and investor protection. Key elements of the revision include improved transparency and wider powers for supervisory authorities to enforce regulations. Rabobank is open to the increased transparency and the changes in the MiFID. Rabobank has however voiced criticisms of parts of the MiFID. For instance, providing written statements of suitability on investment advice for all securities transactions carried out offers no added value but does entail an added administrative burden that will drive up costs.

Extraterritorial application of US regulations

Rabobank is also faced with regulations in countries outside the European Union, principally the United States (US). The main examples are the Foreign Account Tax Compliance Act (FATCA) and Dodd-Frank. FATCA is designed to ensure that US taxpayers holding funds outside the US file correct tax returns with the IRS. On 18 December 2013, the Dutch Ministry of Finance announced that it had concluded an agreement to exchange data with the US government. The FATCA legislation is enshrined in Dutch law as a result. Consequently, all Dutch financial institutions are obliged by law as of 1 July 2014 to request data of clients who may be liable to tax in the US and to pass them on to the Dutch tax authorities. The Dutch tax authorities will pass this data on to the IRS with effect from 2015. Dodd-Frank, the second example, concerns a federal update of regulations for financial institutions by means of new legislative initiatives that resemble the European agenda for reform but differ in key aspects in terms of their form and reporting requirements. These rules apply to a large number of Dutch institutions because they operate in the United States or engage in transactions with US parties. Rabobank is evaluating the consequences of Dodd-Frank for Dutch banks and for Rabobank. The US rules are highly detailed and have implications for reporting, accounting and compliance.

Dutch measures and recommendations of the Commission on the Structure of Dutch Banks

In addition to the international agenda, Rabobank is also faced with the Netherlands' own national agenda for reform, key elements of which are government proposals for the future of the financial sector and the recommendations of the Commission on the Structure of Dutch Banks (Wijffels Commission). The government proposals take account of the European agenda and address the recommendations of the Wijffels Commission. The Commission's report emphasizes the need to increase the banking sector's resilience by higher buffers and to provide better protection for taxpayers. Rabobank has welcomed the report as a major comprehensive contribution to the debate on reforms in the banking sector. For the financial sector, it is and remains above all important to increase the buffers and to develop the bail-in proposition. This means creating conditions in which lenders also contribute financially if a bank runs into trouble. Given the internal market in Europe and the imperative of maintaining a level playing field, this must be done at an international level. The Wijffels Commission rightly advocates this. Rabobank is opposed however to going it alone in Europe by introducing a higher leverage ratio in the Netherlands, which is one of the recommendations in the report that has been adopted by the government. This measure will lead to a tilted international playing field, at the very time when a European Banking Union is set to be introduced to apply uniform standards.

Developments in the housing market

This topic was discussed with various stakeholders in the housing market, including the Ministry of the Interior, focusing on areas such as the 'Blok mortgage' and the problem of negative equity. An effectively functioning housing market is essential for the Dutch economy, as are the associated opportunities for the construction industry and related sectors. This depends on stable, predictable government policies. After the government measures had become clear at the start of the year, Rabobank accordingly advocated a policy moratorium for the housing market. In its contacts with policymakers, Rabobank also drew attention to the need for a comprehensive approach to the rental and owner-occupied markets, the position of first-time buyers and circulation in the housing market. In tandem with the Dutch Banking Association and other stakeholders, Rabobank also spoke about the problem of negative equity and rules and standards for granting mortgages.

Lending to small and medium-sized enterprises

Maintaining lending levels was discussed on several occasions in the Lower House of Parliament, and not just in the contexts of the Standing Committee on Finance or Economic Affairs. Rabobank actively participated in these discussions, for instance at a round table discussion with the sector in February. In these discussions, Rabobank emphasised the importance it attaches to this subject and that it was naturally working towards a recovery of lending, especially in this period of economic headwinds. The development of lending clearly depends, to a large extent, on the economic situation and prospects. Other factors also play a part however. Together with the Dutch Banking Association, Rabobank voiced its concern in 2013 about the consequences of a regulatory overload, including the higher capital requirements. KPMG has published a study on this. Seeking to fully exclude risks by continually tougher regulation limits the scope for lending. Lastly, whereas the criteria for business lending have not changed compared to the period before the economic and financial crisis, they are applied more strictly. Despite this, the volume of business lending edged up in 2013 as a whole from 2012.

Broad range of services in the Netherlands

Moving towards the local Rabobank of the future

www.rabobank.nl

www.obvion.nl

The recession came to an end in the second half of 2013, however economic growth was still very limited. Consumer confidence remained low, partly due to rising unemployment. There were increased mortgage repayments, and business investment remained low due to the expected contraction of domestic spending. The private sector loan portfolio declined by 1% to EUR 303.1 billion as a result of this. Value adjustments amounted to EUR 1,384 million, or 45 basis points of average lending. The market share in mortgages fell to 26.0%. The market share in trade, industry and services increased further to 44.1%. Amounts due to customers rose 1% to EUR 215.7 billion, and the market share in savings fell slightly to 37.8%.

The Vision 2016 programme had a significant effect on staff at the local Rabobanks in 2013. The virtualisation of our service provision leads to better customer service, but also to a sharp fall in the workforce. The restoration of the savings margin and the transition to the new pension scheme had a positive effect on the result. The formation of reorganisation provisions associated with the Vision 2016 change process and the higher recharges from Rabobank Nederland – partly due to increased costs of innovation – had a negative effect on the result. Furthermore, Rabobank Nederland did not pay a dividend to the local Rabobanks in 2013, as it did in 2012. On balance, the net result of the domestic retail banking division fell by 40% to EUR 781 million in 2013.

Strategy for domestic retail banking and Vision 2016

The core task is to protect the interests of the members and customers of the bank. Customers must be able to access all the normal financial products and services at Rabobank. It is moreover Rabobank's ambition to be the market leader in the Netherlands. Market leadership makes it possible to offer customers good products from a position of strength.

On 11 December 2013, the Central Delegates Assembly approved the three pillars of the local Rabobank of the future: participation, advice and virtualisation. The local Rabobanks participate in initiatives that contribute to local socio-economic development. Many of the employees at the local Rabobanks act as advisers, and more and more often their contact with customers is through both physical and virtual networks. Rabobank is fully committed to the virtualisation of its services, because customers are increasingly doing their banking through online and mobile channels, and because this means they can be served better, faster and at lower cost at a time of their choosing.

The implementation of Vision 2016 will lead to a sharp fall in the workforce; a total of approximately 8,000 jobs at the local Rabobanks will go in the period from 2013 to year-end 2016. A certain scale is necessary to be able to offer products and services at competitive prices and low cost. A number of smaller local Rabobanks do not have this necessary scale. Around 100 of the current 129 local Rabobanks are expected to remain in 2016. Branches will also be closed. Many smaller sub-branches only receive a few customers per day. Although customers hardly use these branches, closure is frequently resisted because the disappearance of the branch is perceived to be a contraction of the service. The possibilities for using virtual channels and for instance placement of cashier functions in other retail outlets will mean that a good standard of service can be maintained. The measures outlined above will substantially reduce costs and structurally improve the result of the domestic retail banking division. This change process at the local Rabobanks and Rabobank Nederland was put in motion in 2013, under the name of Vision 2016.

Many Rabobank employees lost their jobs in the reporting year, or were notified that their job would soon disappear. The internal complement at the domestic retail banking division fell by 1,669 FTE in 2013, and a further decline in the workforce is expected in 2014 as well. The departure of so many employees has a serious impact and requires great care. Many of the redundant employees are using the regional mobility centres that are guiding them towards a new position.

It is not only the local Rabobanks that are fully engaged in the transition to 'the local Rabobank in 2016'; Rabobank Nederland is also changing its structure in order to be able to continue to offer optimal and efficient support to the local Rabobanks in future. The activities of Rabobank Nederland and Rabobank International will thus be grouped into three commercial domains focusing on (respectively) the retail business in the Netherlands including mid corporates, the wholesale business in the Netherlands and the rural and retail business outside the Netherlands. In addition, all operational and IT activities will be combined and incorporated into one domain. The same applies to all the supporting activities in the field of control and risk management. In this structure, Rabobank International will no longer be a separately managed division, it will be an integral unit of Rabobank Nederland. As usual, the business practices at the local Rabobanks will be leading in the new structure. Further elaboration of the new, integrated organisation will take place in the first half of 2014 and the effects on the staff complement of Rabobank Nederland will become clear. A broad-based culture and leadership programme will be introduced in parallel with the new organisational structure.

Treating Customers Fairly

The services of the cooperative Rabobank are centred on the customer's interest. Rabobank aims to provide suitable advice, good service and good products and be accessible, involved and sustainable. Rabobank actively seeks to embed these principles in its services. A coherent set of performance indicators has been developed to find out and measure whether customers actually experience its services in this way. These indicators reflect customers' experience of the advice provided and the handling of their day-to-day banking matters. The indicators reveal where the bank's performance is and is not satisfactory and provide a platform for improvement initiatives. The market departments of Rabobank Nederland report on this to the Executive Board of Rabobank Nederland.

Accessible, involved and sustainable

Rabobank is accessible and wants to be a bank among people, contribute to their success and work with others towards sustainable economic development at an individual, local, national and global level. Rabobank's employees treat customers in accordance with the core values: respect, integrity, professionalism and sustainability and foster long-term relationships with customers.

Suitable advice

Rabobank will ensure that advice is clear and aligned with customers' knowledge and experience, financial position, objectives and risk appetite.

Good service

Rabobank delivers faultless services aligned with customers' requirements. Day-to-day banking matters should require as little time and effort from customers as possible.

Good products

Rabobank only develops products and services that cater to a need and are in customers' interest and provides clear information on them.

Rabobank is a reliable, long-term financial partner for its customers.

Rabobank conscientiously addresses customers' complaints and uses complaints to improve its services.

Rabobank's fees and commission are a fair reflection of the costs, the risks and the required returns.

Rabobank is taking steps to foreground treating customers fairly more explicitly not just in local Rabobanks but also for wholesale customers in the Netherlands, guided by the motto 'Client Centricity'. Rabobank's ambition is to provide, on the basis of its cooperative values and customers' requirements, a more personal, predictable and transparent customer experience. This will lead to a range of initiatives in the period ahead designed to result in a clear model for serving wholesale customers.

AFM Dashboard Treating Customers Fairly

In 2013 the theme 'Product suppliers put client's interests first' (Treating Customers Fairly) was again one of the spearheads in the supervision exercised by the Autoriteit Financiële Markten (AFM). The AFM Dashboard reflects the extent to which the AFM believes a financial enterprise is succeeding at treating customers fairly. In reaching its opinion, the AFM looks at a range of products, procedures and services. By awarding scores, the AFM aims to offer businesses an understanding of the extent to which they treat customers fairly and to create a benchmark compared to the market. It wants to encourage businesses to make a conscious effort to give due weight to the concept of treating customers fairly and apply it in practice. The AFM's Dashboard covers the ten largest banks and insurers in the Netherlands. Rabobank recognises that the AFM dashboard and the AFM's feedback concerning specific elements of it form a useful frame of reference and serve as a guide for future improvements, supplementing its own set of values and customer surveys.

The AFM Dashboard is based on a scale of 1 to 5. The following table shows Rabobank's scores for 2013 compared with 2012 and the average score of the major other market players included in the AFM Dashboard. Rabobank's overall aim is to achieve an average score of 4 for each element.

Modules applicable to Rabobank	Score Rabobank 2013	Rabobank compared to sector average* 2013	Score Rabobank 2012	Rabobank compared to sector average* 2012
<i>Dashboard</i>	3.4	Not known	3.4	Above
<i>Savings policy</i>	4.0	Equal	3.7	Equal
<i>Mortgages</i>	3.4	Equal	3.4	Above
- Self-assessment	3.8		3.0	
- Management of mortgages	2.2			
- 2012: Payment arrears			3.8	
<i>Consumer loans</i>	3.4	Above	3.1	Below
<i>Investment</i>	2.7			
- Quality of investment services (changed assessment method)	2.3		3.6	
- Cost transparency	3.1	Above	3.6	Above
- Quality of investment services (modified)	3.0			
- (2012: Costs of investing)			3.0	
- (2012: Distribution fees)	2.3		4.2	
<i>Banks' customer contact**</i>	3.1	Below	2.9	Below
<i>Complaints management</i>	3.8	Below	3.5	Below

* Sector average represents the average score of the five largest banks and five largest insurance companies in the Netherlands.

** Previously known as 'transparency'

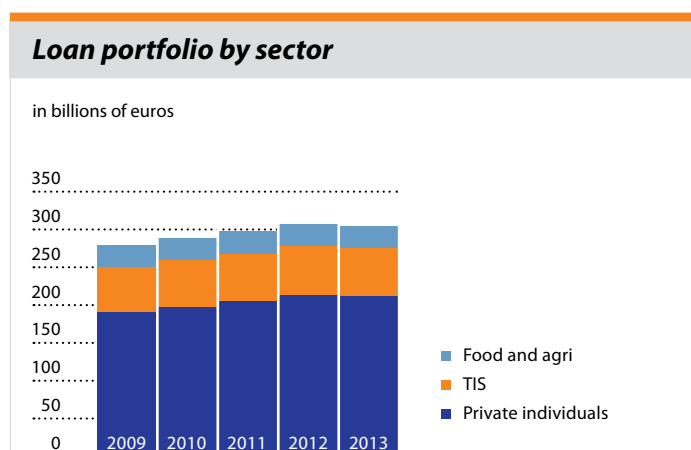
Rabobank was awarded a score of 3.4 in the AFM Dashboard for Treating Customers Fairly, equal to the previous year's score. The assessment criteria have changed compared to the previous report, meaning full comparison is not possible. A score is awarded in 2013 under Mortgages for mortgage management; separate assessment took place in 2012 with regard to payment arrears. Different criteria were applied for investments to evaluate the quality of investment services. The AFM did not assess the criterion comprehensive change in 2013 in the form of modules and scores.

An important qualification regarding the scores is that the assessment always exclusively measures performance in current services and does not take the effects of imminent policy changes into account. Therefore the score is not always in line with developments that took place in a year.

Given the efforts already undertaken in 2013, Rabobank expects to achieve further improvements in 2014 in the AFM Dashboard for Treating Customers Fairly.

Completion of integration of Friesland Bank

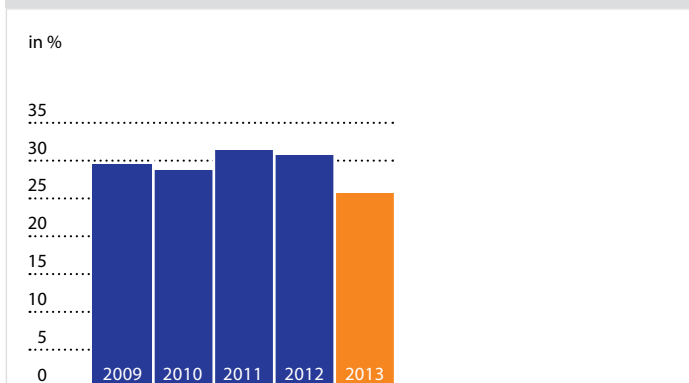
The activities of Friesland Bank were transferred to Rabobank Group at the start of 2012. Since 2013, Friesland Bank customers are served by the local Rabobanks. Besides the focus on customer service continuity, a great deal of attention has also been given to the employees of Friesland Bank, some of whom have since transferred to one of the local Rabobanks.



Slight decline in domestic retail banking division loan portfolio

The effects of the weak Dutch economy were visible in the development of the loan portfolio. The private sector loan portfolio at the domestic retail banking division declined by EUR 3.3 billion in 2013, to EUR 303.1 (306.5) billion. Loans to private individuals consist almost entirely of mortgages, and fell to EUR 211.0 (212.3) billion. This portfolio declined slightly due to higher mortgage repayments by customers in 2013. Loans to trade, industry and services fell 2% to EUR 63.0 (64.4) billion and loans to the food and agri sector also declined by 2% to EUR 29.1 (29.8) billion.

Share of mortgage market



Home mortgages

The housing market

The prices of existing residential properties were 6.4% lower on average than in 2012. Nonetheless, the first modest signs of a recovery are visible in the Dutch housing market. In the second half of 2013, the number of residential properties sold rose compared to the same period in 2012 and the average price of existing residential properties remained virtually stable. The elimination of uncertainties concerning the housing market and the relative calm on the policy front have contributed to confidence in and a recovery of the housing market. The Dutch economy is slowly picking up and the housing market recovery appears to be continuing. Average house prices are expected to stabilise in 2014.

Residential properties have become more affordable after several years of falling prices, and accordingly more attractive for first-time buyers. Moreover, the relatively low prices may encourage circulation from within the group of households without a residual debt. The latent residual debt from property values that are lower than the corresponding mortgage loans tends to lock in people wanting to move up the residential property housing ladder.

Mortgage portfolio

Rabobank Group's share of the Dutch mortgage market of 26.0% (31.1%) of new mortgage production in 2013 was significantly lower than in previous years. The market share of the local Rabobanks fell to 19.2% (22.8%), Obvion's market share declined to 6.6% (7.8%) and Friesland Bank contributed 0.2% (0.5%) to the total market share of Rabobank Group.

Other market participants, especially insurers, increased their market share by offering low interest rates on a temporary basis in 2013. In Rabobank's view, it is important that the rate is appropriate. While of course we want to remain competitive in the market, we are convinced that there is more to a mortgage than simply the interest rate. There are other things to consider, such as high-quality advice that takes account of affordability, both now and in the future. And, a product that offers sufficient flexibility.

As a result of the low number of transactions in the housing market and additional repayments on existing mortgages, Rabobank Group's mortgage portfolio contracted to EUR 209.1 (209.6) billion in 2013. The problem of negative equity has led mortgage customers to make repayments in order to bring the level of their mortgage more in line with the value of their homes. Voluntary home mortgage repayments of EUR 3.6 billion were more than EUR 1.3 billion higher than in 2012.

National Mortgage Guarantee (Nationale Hypotheek Garantie, or NHG) financing accounts for 20% of the mortgage portfolio (19%). The size of the NHG portfolio increased by EUR 2.8 billion in 2013, spurred by the more generous NHG limits for acceptance. The NHG acceptance limit will be reduced in the coming years, meaning that the growth of the NHG portfolio will flatten.

The share of interest-only loans in the mortgage portfolio has been declining since 2011 as a result of the changes to Code of Conduct for Mortgage Loans (Gedragscode Hypothecaire Financieringen, or GHF) in 2011. This decline accelerated in 2013 due to the changed tax treatment of owner-occupied housing as of 1 January 2013 and the extended transition period for the conversion of mortgages. Customers with interest-only finance accounted for 25% (26%) of the mortgage portfolio at the end of 2013.

Within the total number of customers of the local Rabobanks who took out mortgage loans in 2013, 62% have life insurance, whereby the mortgage will be paid off in full or in part in the event of their death. A further 22% of new mortgage customers have mortgage protection insurance as well as life insurance, meaning that for a certain period, they will receive financial support to meet their mortgage payments in case they become unemployed or unfit for work.

Despite the fall in house prices, the weighted average loan-to-value (LTV) of the mortgage portfolio was unchanged in 2013 at 81% (81%). This was due to additional repayments, mortgage conversions and an increase in the amount of pledged savings. The LTV exceeds 100% for approximately 21% of the mortgage portfolio, excluding NHG. The LTV calculation takes account of pledged assets.

Mortgage advice

Mortgage advice includes assessing the affordability of the loan for the residential property, in terms of the customer's ability to continue to repay the loan in a range of situations such as unemployment, divorce or disability. The financial impact of those risks is discussed with customers during the mortgage advice interview. Customers can take out insurance for those risks.

The ban on commissions came in to force as of 1 January 2013, which means that the costs of advice are billed separately to customers.

Payment problems

The local Rabobanks and Obvion aim to prevent payment problems for mortgage customers wherever possible. This is in both the customer's interest and in the bank's interest, and obviously begins with suitable advice and an appropriate mortgage. It is followed up by regular assessment during the term of the mortgage loan whether the mortgage is still appropriate for the customer's personal circumstances. Nevertheless, it may become impossible for customers to continue paying their housing costs, due to changed circumstances.

At year-end 2013, 0.55% of the total of over 1.2 million mortgage loan customers of Rabobank Group had incurred payment arrears of 90 days or more. In most cases, the customer and the bank jointly reach a solution and customers can continue to live in their home. Rabobank wants to consult customers quickly in the event of (possible) arrears to discuss the situation and seek an appropriate solution. There are options for giving customers additional headroom by means of a repayment schedule or by using a budget coach. No recovery proved to be feasible for 0.28% of the mortgage loan customers as there was no prospect of continuing the mortgage loan on a lasting basis. It was decided to sell the property in those cases. Preferably, this is done jointly with the customer by means of a private sale. Public auctions are only used in exceptional cases. In 2013 Rabobank, as one of the initiators, teamed up with the sector organisation for debt assistance (NVVK) and mortgage lenders. In addition, the information desk Schake! was established, a platform for providers of debt assistance and mortgage lenders to consult each other and customers at an early stage and exchange information to deliver effective support for customers.

Bad debt costs

The decline in purchasing power, rising unemployment and falling house prices led to an increase in impaired loans to EUR 893 million. Value adjustments in the mortgage portfolio increased to EUR 127 (113) million in 2013. However, at 6.1 (5.6) basis points annualised, bad debt costs are still very low. An amount of EUR 103 (81) million was written off in the mortgage portfolio. The proceeds from homes sold by private and public sale versus receivables slightly improved last year to 88% (86%). The improvement is the result of the increase in private sales in proportion to public sales.

The Dutch residential mortgage portfolio

<i>amounts in millions of euros</i>	2013	2012
Size of mortgage portfolio	209,142	209,593
Weighted average loan-to-value	81%	81%
Size of portfolio with payment arrears of more than 30 days and less than or equal to 90 days in relation to size of mortgage portfolio	0.43%	0.39%
Size of portfolio with payment arrears of more than 90 days in relation to size of mortgage portfolio	0.80%	0.64%
Number of customers with arrears of more than 90 days compared to number of mortgage customers	0.55%	0.48%
Number of customer recovery procedures compared to number of mortgage customers	0.28%	0.18%
Sales proceeds from homes sold by private and public sale versus receivables during review period	88%	86%
Size of NHG portfolio compared to total mortgage portfolio	20%	19%
Share of interest-only loans compared to total mortgage portfolio	25%	26%

The Dutch residential mortgage portfolio

<i>amounts in millions of euros</i>	2013	2012
Impaired loans	893	687
Provisions	198	176
Cover rate	21%	26%
Value adjustments	127	113
Bad debt costs (bp)	6.1	5.6
Write-downs	103	81

Obvion

Obvion is a leading provider of mortgages via the intermediary channel and has been a wholly-owned subsidiary of Rabobank since 2012. Its 350 employees help to arrange the mortgages of some 190,000 families in the Netherlands. Obvion represents mortgages with a conscience; this means fair interest rates, independent advice, a responsible mortgage and assistance in the event of payment problems due to temporary setbacks. At the start of 2013, Obvion established a prevention team to facilitate the early resolution of payment problems. Getting in touch with customers at an early stage prevents them from sliding deeper into debt. It uses tools including the Obvion Budget Planner – which helps customers to regain control of their finances – and temporary financial arrangements such as Obvion RenteParkeren (Obvion InterestParking) to temporarily lower monthly mortgage servicing costs. In November, Obvion won Blauw Research's Performance Award 2013. This survey measured intermediaries' satisfaction with Obvion's services. The intermediaries were especially satisfied with the management and products provided by Obvion.

Obvion uses an online application 'Mijn Obvion' (My Obvion) that enables customers to view their mortgage file and work through the effects of hypothetical changes in their mortgage with the aid of a dedicated calculation tool.

Customer satisfaction for Obvion is good and is measured by the net promoter score (NPS): the NPS1 (recommended versus not recommended) currently is +48 and the NPS2 (satisfied versus not satisfied) is +31.

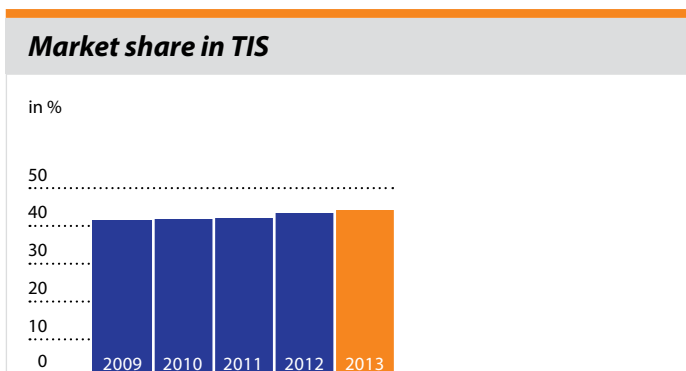
In a pilot project, temporary employment agency Randstad joined forces with Obvion and Vereniging Eigen Huis (Association of (prospective) Homeowners) to develop the Prospects Statement. The intended purpose of this Statement is to enable employees on flexible contracts to take out a mortgage in the future.

Mortgage file

Rabobank introduced the Rabobank Mortgage File in January 2013; an online application for customers to enter data in and view their mortgage file. Customers enter their salary and other data and the application calculates, for instance, the maximum amount they can borrow and what the monthly expense will be. Customers can also opt to enter data in the mortgage file together with their adviser and they can upload relevant documents ahead of the mortgage advice interview. The completed mortgage file will provide the mortgage adviser with all the necessary information and shorten the time required to provide suitable advice. The costs of mortgage advice may also be reduced. Rabobank applies a basic fee for mortgage advice, but customers will get a discount for their preparatory input for the mortgage advice interview. The Rabobank Mortgage File dovetails with the virtualisation initiatives undertaken by local Rabobanks as part of Vision 2016 and helps to improve customer services and the efficiency of business processes.

No penalty interest for repayments on basis of gift

The Dutch government announced on Budget Day that gifts up to EUR 100,000 would be tax-exempt if used by the recipient for repaying their home mortgage. The local Rabobanks and Obvion decided in line with this that customers using this facility would not incur penalty interest. The measure will apply until 1 January 2015.



Trade, industry and services

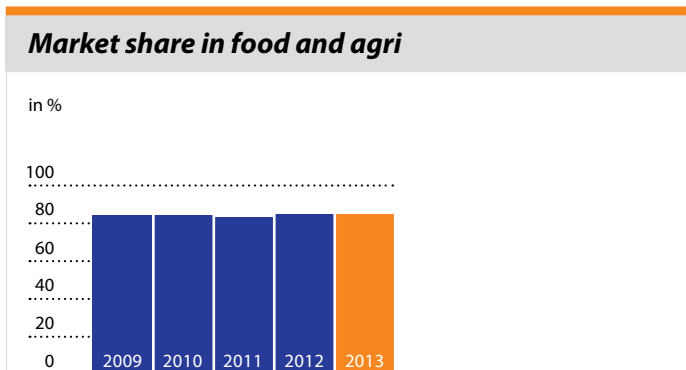
Market share up marginally, lending down

Dutch businesses in the small and medium-sized enterprises segment experienced tough times in 2013. Private consumption fell in 2013 compared to 2012. Many businesses are suffering due to this low spending level and deferring investments or limiting them to replacement investments. This is reflected in movements in lending. In 2013, lending to the TIS sector in domestic retail banking backtracked to EUR 63.0 (64.4) billion. Market share in Trade, Industry and Services grew to 44 (43%) in 2013.

Not only is the number of loan applications visibly declining, Rabobank is also seeing an increase in the risks of lending to troubled sectors in particular. It is therefore not always possible for the bank to grant the loan applications it receives. Moreover the cost of credit has increased as banks are obliged to maintain higher buffers due to the tighter Basel requirements. Nonetheless, Rabobank endeavours to use special financial products (such as RaboStimulation Capital) to help customers in the troubled segments to realise their plans where this is justified. Growing numbers of customers are opting to source financing from a range of sources. Crowd funding is a relatively new form of financing, which may or may not be combined with bank credit. This reduces customers' dependence on banks for funding.

In October, Rabobank presented its annual outlook and corresponding sector forecasts for the SME segment. Innovation through cooperation is at the core of the SME outlook for 2014. In this outlook, Rabobank concludes that the economy is picking up slightly, but that growth is not yet automatically in the offing. The sector forecasts give businesses an outlook into the year ahead, with detailed forecasts for all sectors that they can use as input in their plans.

Sector Management also introduced the Rabo Knowledge App. All Rabobank sector and other knowledge is now literally at customers' and employees' fingertips on smartphones and tablets as well. The app has been developed in a way that enables other research departments and other departments to join at a later stage as well. The knowledge of the Economic Research Department, Food and Agri Sector Management and International Services is now also available on this platform.



Food and agri

Partner in food and agri on the basis of sustained market leadership

The emphasis placed by Rabobank on food and agri in the Netherlands is reflected in its high market share of 85% (85%) in 2013. Rabobank is engaged in consultation with partners in the chain on several sustainability spearheads, which are fair work, minerals management and sustainable energy. Partly by virtue of our efforts in the Fair Produce foundation, the certificate for fair work has gained a solid place in the mushroom sector. Options in other sectors are currently being explored as well. In livestock farming,

Rabobank undertook efforts to initiate further steps with regard to the minerals issue. Rabobank works closely with the sector organisations and government authorities and the issue is being actively pursued. Rabobank has also supported the creation of a fertiliser processing fund. This fund supports investment initiatives with venture capital. Two pilot projects have been launched to support the sustainability of individual customers in which a sustainability scan is used as a basis for discussing improvement plans for the business. Lending by domestic retail banking to the food and agri sector in 2013 was EUR 29.1 (29.8) billion. Lending to the food and agri sector accounts for 10% (10%) of the total loan portfolio in domestic retail banking. Dairy farming and agriculture can look back on a particularly good year.

You can read more on this in the sustainability report.

Payment services

Mobile banking continues to surge

The number of customers who actively use mobile banking at Rabobank continued to grow strongly in 2013, to 1.8 million at year-end 2013. Retail customers use mobile banking every day, business customers use it several times a day. This gives customers a better understanding of their financial position. Mobile banking has therefore become one of the key customer interfaces.

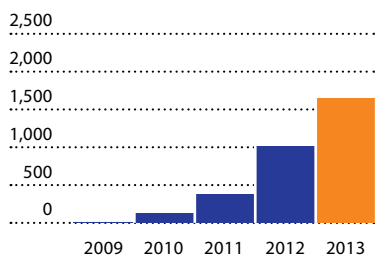
In the summer of 2013, ABN AMRO, ING and Rabobank started a test for mobile payments in Leiden. It tested contactless payments using mobile phones in shops. The response from customers and retailers was largely favourable. The ease and speed of payments were singled out as the main advantages. Mobile payments will be introduced nationwide in 2014, partly on the basis of this pilot project.

Secure banking and payments

The security regulations used by banks for electronic banking and payments were standardised in 2013. Together with the Consumers' Association, the Dutch Banking Association formulated rules for secure electronic banking and payments. These five rules reduce the likelihood of customers becoming victims of fraud and apply for all retail customers of all Dutch banks. Consumers who have complied with the rules, can be sure that amounts that have been debited to their account without approval will be repaid to them. Losses due to fraud via

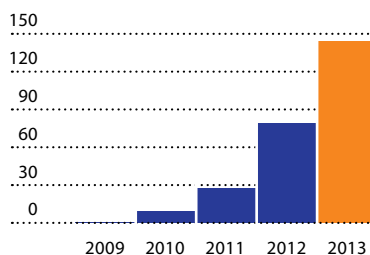
Number of active mobile banking users

Private individuals, numbers x 1,000



Number of active mobile banking users

Businesses, numbers x 1,000



internet banking fell in 2013. This is because banks are quicker to identify and prevent fraud, and because campaigns on secure banking have made consumers increasingly aware of the methods used by criminals.

With a view to safeguarding secure banking and payment services, Rabobank blocked many debit cards for use outside Europe with effect from 1 June 2012. This country block was implemented to prevent losses due to skimming and thereby limit any inconvenience for customers. Stolen debit card data are used to withdraw cash outside Europe, especially. Customers can easily activate or deactivate their cards for one or more continents via Rabo Internet Banking or via their local Rabobank. The country block limits losses due to skimming.

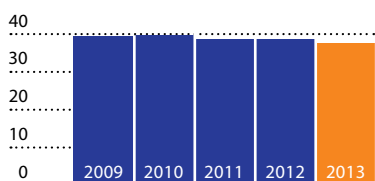
You can read more on this in the sustainability report.

SEPA migration – the transition to a single European payments market

The migration to the Single Euro Payments Area (SEPA) – the transition to a single European payments market – occupied centre stage in 2013. After the migration to SEPA there will no longer be any difference for customers between domestic and international payments and direct debits within Europe. All existing account numbers will be converted into the corresponding international bank account number: IBAN. Many Rabobank customers switched to SEPA in 2013. The impact for retail customers was relatively limited and the migration took place in stages and automatically. Moving to SEPA was more complex for business customers. Over 110,000 business customers required substantial adjustments of their financial systems and software to be able to migrate to SEPA smoothly. This group needed extensive support from Rabobank, which it provided in the shape of migration consultants and a comprehensive campaign of follow-up telephone calls in December, aimed at 90,000 business customers. As a result, virtually all customers were using SEPA products on 1 February 2014. On 12 January 2014, a member of the European Commission proposed the use of a dual period for customers who had not completed their migration on time.

Market share for savings

in %



Savings

The Dutch savings market expanded by 1% in 2013 to EUR 325.3 (323.6) billion. Rabobank Group's market share in the savings market was 37.8% (38.8%), of which 36.7% (36.5%) was attributable to the local Rabobanks, 1.0% (1.2%) to Roparco and 0.1% (1.1%) to Friesland Bank. The negative publicity in connection with Libor had no material effect in 2013 on the change in Rabobank Group's share in the savings market. The banking activities of Robeco that were not sold to Orix Corporation have been included in the financial

information of domestic banking since June 2013. As a result, amounts due to customers in domestic retail banking rose 1% to EUR 215.7 (214.5) billion. Amounts due to customers consist, to a large extent, of private savings; that category increased EUR 0.5 billion to EUR 125.2 (124.7) billion.

Asset management

Rabo Asset Management

Rabo Asset Management was further implemented in 2013. Therefore local Rabobanks now offer, together with specialists from Schretlen & Co, comprehensive asset advisory services to high net worth customers. Also, customers wishing to invest together with Rabobank, can now do so online (with advice) using Rabo Investment Funds Advice. This enables customers to track their investments via the internet and structure and modify their portfolio themselves. The intake interview and the periodic maintenance interviews of Rabo Investment Funds Advice will continue to take place face-to-face, while advice on structuring the portfolio and the investment advice is delivered online.

Rabobank Private Banking

The vision of Rabobank Private Banking 2012-2016 is entitled: 'The capacity to connect'.

This centres on delivering on three customer promises:

- daily banking matters are handled effectively;
- financial calm. Rabobank assists customers in choosing and adjusting a direction, and also provides suitable solutions;
- the customer's socio-economic environment is supported by Rabobank.

Advice based on a personal approach is central to these services. The customer has the lead for the purposes of choosing the product solution. All customers can choose the most suitable service approach, from more self-sufficiency to an exclusive form of advice and attention for the top end of the market. Rabobank is investing in virtualisation for handling customers' day-to-day banking needs. In doing so, Rabobank is aiming to give the customers insight into everything that is relevant to their financial choices. Financial calm is created by clearly mapping the customer's requirements. The underlying idea is that the added value of the bank is embodied in the interplay between the customer and the bank. This interplay can only arise by sharing knowledge, experience, ambitions and targets. Lastly, Rabobank assists its customers to invest in a socially responsible way as much as possible.

The approach to socially responsible investment is based on three pillars. First, Rabobank asks parties offering actively managed investment funds to commit to the UN Principles for Responsible Investment. Additionally, Rabobank uses the UN Global Compact guidelines on corporate social responsibility as guidance in the investment process. Rabobank asks fund houses it works with to do the same. Further, Rabobank does not wish to be involved in financing businesses that manufacture or sell controversial arms. This is laid down in its Arms Industry Policy. Accordingly, Rabobank has no longer advised investors on such businesses for several years now and direct purchases of investments in these businesses are not possible. Rabobank requests parties offering actively managed investment funds to formulate an exclusion policy. Index funds may involve investments in indexes that include manufacturers of controversial arms. Rabobank offers several alternatives to those products. Over 90% of the portfolios of advised customers (Rabo Select Investments) now comprise securities investments that meet Rabobank's criteria.

Savings placed with Rabobank Groenbank total over EUR 2 billion. These funds are lent to pioneering businesses in the field of sustainability, making Rabobank the market leader in that segment.

Research by the business publication Incompany has shown that the approach pursued by Rabobank Private Banking and by the Rabobank subsidiary Schretlen & Co is valued by customers; these banks were ranked 1 and 2 in the list of best private banks in the Netherlands.

You can read more on this in the sustainability report.

Insurance

Insurances at the local Rabobank: Interpolis

Rabobank Group has an interest of 29% in Achmea. Achmea is the strategic partner of choice for Rabobank in the field of insurance products. Interpolis is part of Achmea and cooperates closely with the local Rabobanks. Private insurance is offered at the local Rabobanks through the Interpolis All in one Policy. The Interpolis non-life propositions ZekerVanJeZaak (SureOfYourBusiness) and the Business Compact Policy are offered for business customers. Insurance commissions amounted to EUR 288 (312) million at the local Rabobanks in 2013.

Interpolis seeks to engage in dialogue with customers on risks and prevention. Together with customers, it works on new prevention solutions. The initiative www.deoplossingvan.nl which was launched in 2013 is an example of this. Anyone who has or needs a solution for dealing with risks can use this website. The initiative was launched with a focus on the themes 'safety in and around the home' and 'travel and on holiday'. Numerous solutions have been posted since on how to deal in different ways with risks in and around the house. A specialist jury assessed the solutions and the winning idea has been introduced to the market. The platform is intended to lead to solutions that can be used to serve customers. In 2013, Rabobank and Interpolis introduced RisiGo in the business market, an application centring on the customer and his or her risks that businesses can use to decide which risks they want to eliminate by prevention, which risks they want to bear themselves and which to insure against.

In the reporting year, Rabobank worked hard to advance the virtualisation of its insurance-related services. An example is the way in which businesses can view, modify, expand or terminate their ZekerVanJeZaak insurance online. This caters to customers' need to be able to use the bank's services outside regular business hours. Customers value the simplicity and transparency of the online application.

Besides life and non-life insurances, Interpolis offers the health insurance Interpolis ZorgActief. The focus in this health insurance is on insuring only the necessary healthcare costs, enabling the customer to save for potential smaller healthcare costs. Interpolis Healthcare Mediation is part of this insurance. Apart from waiting list mediation, this service focuses on assisting customers with a range of different healthcare questions, for instance about alternative treatment options or obtaining a second opinion. Policyholders who have used this service have awarded it a score of 8.5.

Type of Insurance	Number of policies at 31-Dec-2013	Number of policies at 31-Dec-2012
All in one Policy	1,324,000	1,379,000
SureOfYourBusiness and Business Compact Policies	210,000	215,000
ZorgActief	223,000	225,000

Financial results of domestic retail banking

Results			
<i>in millions of euros</i>	2013	2012	Change
Interest	5,605	5,180	8%
Commission	1,319	1,344	-2%
Other results	616	765	-19%
Total income	7,540	7,289	3%
Staff costs	2,463	2,454	
Other administrative expenses	2,408	1,755	37%
Depreciation	144	151	-5%
Operating expenses	5,015	4,360	15%
Gross result	2,525	2,929	-14%
Value adjustments	1,384	1,329	4%
Bank tax expense	90	91	-1%
Operating profit before taxation	1,051	1,509	-30%
Taxation	270	205	32%
Net profit	781	1,304	-40%
Bad debt costs (in basis points)	45	44	2%
Ratios			
Efficiency ratio	66.5%	59.8%	
RAROC	8.6%	16.3%	
Balance sheet (in billions of euros)	31-Dec-13	31-Dec-12	
Total assets	376.3	386.1	-3%
Private sector loan portfolio	303.1	306.5	-1%
Amounts due to customers	215.7	214.5	1%
Capital requirements (in billions of euros)			
Regulatory capital	6.6	6.8	-3%
Economic capital	9.1	9.1	
Number of employees (in FTEs)	26,999	28,668	-6%

Notes to financial results of domestic retail banking

Income up 3%

The total income of the domestic retail banking division rose by EUR 251 million to EUR 7,540 (7,289) million in 2013. Particularly due to a partial restoration of margins on savings, interest profit increased 8% to EUR 5,605 (5,180) million. Commission income declined by EUR 25 million to EUR 1,319 (1,344) million, due in part to a decline in insurance commissions. Contrary to the decision in 2012, the June 2013 general members meeting decided that Rabobank Nederland should not pay a dividend to the local Rabobanks. The transition to the new pension scheme positively affected the other results. On balance, the other results fell by EUR 149 million to EUR 616 (765) million.

Operating expenses up 15%

Total operating expenses at domestic retail banking were up 15% in 2013, rising to EUR 5,015 (4,360) million. Other administrative expenses increased EUR 653 million to EUR 2,408 (1,755) million, driven by higher reorganisation costs to EUR 283 million in connection with Vision 2016 and increased costs of innovation at Rabobank Nederland, which are fully recharged to the local Rabobanks. Despite the lower staff complement, staff costs remained more or less unchanged at EUR 2,463 (2,454) million. This was due to the increase in individual redundancy payments in 2013. As a result of lower amortisation of intangible non-current assets, amortisation costs fell by EUR 7 million to EUR 144 (151) million.

Bad debt costs at 45 basis points

The weak economy in the Netherlands led to a high level of value adjustments in 2013. In the food and agri sector, bad debt costs were mostly incurred in greenhouse horticulture. In the TIS sector, the real estate sector and sectors focusing on the domestic market experienced difficulties. In the transport sector, it was mainly the inland shipping business that suffered. There continue to be concerns about the non-food retail, construction, hospitality and automotive sectors. Companies focusing on international markets can benefit from higher exports. The value adjustments at domestic retail banking came to EUR 1,384 (1,329) million in 2013. Bad debt costs came to 45 (44) basis points of average lending, against a long-term average of 16 basis points.

Regulatory capital down 3%

In calculating the capital requirement, risks associated with loans to private individuals and businesses are estimated using internal rating and risk models. Compared to a year earlier, there was a slight fall in the regulatory capital for the domestic retail banking division to EUR 6.6 (6.8) billion at the end of 2013. This decline is in line with the development of the loan portfolio. Operational risk also declined. The economic capital remained unchanged at EUR 9.1 (9.1) billion, as a decline in credit risk and operational risk was offset by an increase in interest-rate risk.

Outlook for domestic retail banking

The period of long and deep economic contraction appears to be coming to an end in 2014. This does not mean that the economic problems in the Netherlands are over. The global pick-up in growth has not (as yet) provided sufficient counterweight to the domestic problems, which are expected to restrict the Dutch economy to a negligible rate of growth and to cause a further rise in unemployment. Consumption is under pressure because households, banks and government institutions want to improve their capital position. Disposable income is still tight, because of the rise in unemployment and limited wage increases. All in all, this is expected to lead to a slight contraction in lending and a stabilisation of amounts due to customers for the domestic retail banking division in 2014. The further implementation of Vision 2016 should lead to better customer service and a more efficient organisation. Based on the economic outlook, we expect to see a small decline in bad debt costs. Taking everything into account, we expect to see a modest recovery in the result for domestic retail banking. The need for restraint and cost control will however continue to be as essential as ever.

Leading food and agri bank at international level

Strengthening our market leadership and expanding our food and agri focus

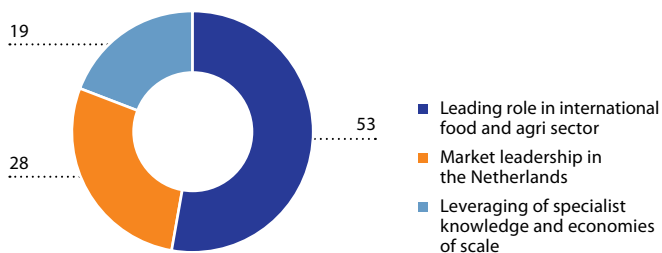
www.rabobank.com

The net profit from the wholesale banking and international rural and retail banking division came to EUR 52 million in 2013, a decline of EUR 652 million compared to 2012. The lower net profit was significantly affected by the settlements agreed by Rabobank after the Libor investigations. The settlements led to a payment of EUR 774 million to various authorities at the end of 2013. The result in 2012 was moreover positively affected by the sale of the shares in Yes Bank. Apart from these non-recurring events, there were positive results at Corporate Lending, Capital Markets, Acquisition Finance and Global Client Solutions in 2013. In addition, the result from the international rural and retail activities improved and the phasing out of the illiquid assets portfolio contributed to the result. Internationally speaking, economic growth returned, which led to a fall in bad debt costs at Rabobank International. Expressed in basis points of the average loan portfolio, bad debt costs came to 57 basis points, against a long-term average of 54 basis points. The further phasing out of lending to non-core activities, in combination with the depreciation of the US and the Australian dollar (among other currencies) and the agreement reached regarding the sale of Bank BGZ, contributed to a 14% contraction in the total loan portfolio to EUR 92.1 billion. The share of food and agri increased to 54% of the total portfolio. Combined customer savings deposits at the RaboDirect savings banks rose by EUR 5.5 billion to EUR 29.1 billion.

Due to its limited contribution to our strategic objectives and as a result of changes to regulation, Rabobank International has decided not to continue its Equity Derivatives operations. Agreement has been reached with BNP Paribas Group regarding the sale of Bank BGZ for a sum of approximately EUR 1 billion. Completion of the transaction is subject to receipt of the necessary statutory approvals. It has also been decided to introduce further reorganisation at ACCBank and to phase out the regular service provision to customers. The transfer of the wholesale clients of Friesland Bank to Rabobank International was completed in 2013.

Distribution of wholesale banking income

by area, in %



Strategy for Rabobank International

A decision was made to integrate the management of Rabobank Nederland and Rabobank International at the end of 2013. Rabobank wishes to operate as one bank, both in the Netherlands and abroad. Accordingly, Rabobank International will no longer continue to operate as a separately managed division; it will be an integral part of Rabobank Nederland. As a result of this measure, there will be a new top structure for Rabobank Group. The staff services and departments of Rabobank International and Rabobank Nederland will be combined in this new structure, which will be elaborated further in 2014.

The strategy of Rabobank International is unchanged. For the international wholesale banking division, the strengthening of market leadership in the Netherlands and fulfilling a leading role in the international food and agri sector will remain the main priorities. There will also be a focus on synergy between business lines. The rural and retail banking division has a strict focus on food and agri; the principle for the rural banks is that at least 95% of the portfolio should consist of food and agri, and for the retail banks, that 40-50% of the portfolio should consist of food and agri.

A certain degree of scale is needed to ensure an optimal cost and quality standard for the products concerned. Specialist knowledge will therefore be deployed for a wider customer group.

Market leadership in the Netherlands

In the Netherlands, Rabobank International focuses on all market sectors, operating as a broad service provider whose objective is to serve Dutch wholesale clients as effectively and from as nearby as possible. Customers with revenues below EUR 250 million are looked after by local Rabobanks; they can call in the assistance of Rabobank International Wholesale's regional teams where needed. Customers with revenues of more than EUR 250 million are served centrally by Rabobank International. The Large Corporates department, which is responsible for providing those services, is divided into clusters of customers operating in the same sector. Customers are served by Client Service Teams that cooperate closely around the customer and consist of a relationship manager, product specialists, a knowledge specialist and, if applicable, an adviser from Mergers & Acquisitions. Its in-depth sector-knowledge gives Rabobank International a clear competitive advantage. In 2013, Rabobank International consolidated its position as market leader in the business segment. Rabobank had a leading role in a range of major transactions in the Netherlands, including take-overs, financing and restructuring. Rabobank International advised various Dutch multinational corporations on large transactions, such as the public-to-private transition of D.E. Master Blenders 1753, the share issue of Imtech and the take-over of Dockwise by Boskalis. It also completed the move of the wholesale customers of Friesland Bank to Rabobank International in 2013.

Rabobank International also plays a significant supporting role in the services provided by local Rabobanks to business customers. Some of the products and services that these customers purchase are offered locally and others, including risk management products (such as currency derivatives) and capital market products (such as share and bond issues), are offered by Rabobank International. Rembrandt Fusies & Overnames is there to help customers of local Rabobanks in their mergers and acquisitions.

Leading role in the worldwide food and agri sector

Rabobank has defined two pillars in the strategic framework 2016: in addition to market leadership in the Netherlands, Rabobank international aims to be the leading bank in food and agri. This means serving the entire value chain: from farmers, greenhouse horticulture businesses and their suppliers, to processing industries and food retailers. Within the loan portfolio of wholesale and international rural and retail banking, the share of food and agri is some 54%. Rabobank is expecting further growth of the food and agri sector in the decades ahead. This growth will be driven by the growth of the world's population from its current 7 billion people to 9 billion people by 2050. Production will have to be stepped up to provide food for the growing global population. Rabobank operates in the principal food-producing countries throughout the world such as the Netherlands, Brazil, Australia, New Zealand and the United States. In addition to lending, Rabobank also works to share sector knowledge and other financial services. And Rabo Development and Rabobank Foundation are also active in regions where food production still needs to grow strongly, such as in some parts of Africa.

The strong food and agri focus is also manifest in the customer base of Wholesale Clients International, where the core food and agri portfolio increased further to 96% (92%) of the portfolio. The increase in the share of food and agri is also reflected in the portfolios of Acquisition Finance 75% (70%) and Global Client Solutions 87% (85%).

In 2013, the activities of ACCBank (Ireland) were phased down, Bank BGZ (Poland) was sold and the equity interest in Finterra (Mexico) was reduced, while Rabobank's presence in Turkey will be expanded by replacing a representative office by a subsidiary.

International wholesale banking

Internationally, Rabobank is a prominent financial services provider for food and agri businesses. With a clear vision of the future of the sector, Rabobank conducts a strategic dialogue with the senior management of internationally operating food and agri companies. Specialist knowledge of the food chains is shared through an extensive network. The customers of Wholesale Clients International and Trade & Commodity Finance are served by Client Service Teams, which consist of an account manager, a product specialist, a specialist in food and agri research (FAR specialist) and, if applicable, a Mergers & Acquisitions adviser. This enables sharing of specific knowledge of the market, sector, products and the customer and an optimal customer service to be provided. The international customer portfolio is increasingly moving towards a food and agri portfolio as a result of growth in certain sectors and regions in recent years. The volume of lending at the international wholesale banking division declined in 2013 by 10% to EUR 48.9 (54.1) billion, partly due to the depreciation of various foreign currencies.

International rural and retail banking

Outside the Netherlands, the international rural and retail banking division focuses on the financing of agricultural businesses and on '[community banking](#)'. The agreement reached concerning the sale of Bank BGZ has led to a decline in the loan portfolio of EUR 6.3 billion. Moreover, the appreciation of the euro against several currencies contributed to a decline in lending at the rural and retail banking division of 19% to EUR 31.1 (38.6) billion; in local currency and excluding the decline due to Bank BGZ, there was actually an increase in lending in this core business of Rabobank International. A large proportion of this rural and retail lending is provided to customers in Australia and New Zealand, where Rabobank has had a strong position for many years. Due to foreign currency effects, the size of this portfolio fell by 10% to EUR 14.3 (15.9) billion. In the United States, Rabobank is involved with the community bank Rabobank N.A., which serves retail customers as well as agricultural customers, and with

Rabo AgriFinance, which fully concentrates on the agri sector. Growth in the agri sector in these regions contributed to the increase in the size of the portfolio in the American region of 9% to EUR 14.3 (13.1) billion. There was also strong growth in lending to agricultural businesses in Brazil and Chile.

Specialist knowledge and benefits of scale

In serving Dutch customers and international food and agri customers, Rabobank International provides high-quality professional financial products and services in fields such as Global Financial Markets, Acquisition Finance, Global Client Solutions, Project Finance and Trade & Commodity Finance. As a certain critical mass is necessary to guarantee cost and quality optimisation for those products, the specialist knowledge is used for a broader customer group.

Global Financial Markets offers customers products that are aimed at risk management and capital market transactions relating to the worldwide financial markets. In 2013, Global Financial Markets decided to discontinue its Equity Derivatives activities, owing to changes in international regulations and because these activities are insufficiently aligned with Rabobank International's strategic goals.

Trade & Commodity Finance serves customers in international physical commodities trading. It uses its knowledge of the commodities markets and the corresponding financial products for Dutch customers, for international food and agri customers and for customers operating in the energy and metals sectors.

Acquisition Finance, often in alliance with a financial sponsor, offers financial services to customers faced with a merger or acquisition. Global Client Solutions provides customised financial solutions for businesses and financial institutions for which expert knowledge is required in areas such as lending, legislation, financial reporting standards and/or tax law. Project Finance focuses on financial solutions for customers with a strong focus on sustainable energy, on infrastructure projects and on businesses in the international food and agri industry. In addition, Rabobank operates through Rabo Private Equity, Rabobank's investment arm. It acquires equity interests in businesses via specialised labels and on the basis of specialised sector knowledge. In 2013, Rabo Private Equity reduced its majority interest in IHC Merwede and the team and portfolio of Friesland Bank were integrated within Rabo Private Equity.

ACCBank discontinues regular financial services

It was decided to proceed to a further reorganisation of the activities of the Irish bank ACCBank in 2013, aimed at reducing costs. Recovering loans will be a priority. ACCBank will discontinue its regular financial services to customers. As of 2014, it is no longer possible to open a current or savings account at ACCBank. All its regional business centres will be closed and the intention is to return its retail banking licence. ACCBank has incurred substantial losses since the downturn in the Irish real estate market in 2008. There will be further losses owing to impairments in 2014. Without additional intervention, ACCBank's gross profit would also swing over into a loss. ACCBank's loan portfolio stood at EUR 2.4 (3.1) billion at year-end 2013. Rabobank Ireland – which focuses on the food and agri sector – and RaboDirect will continue to operate in Ireland.

Sale of Bank BGZ to BNP Paribas

In December 2013, Rabobank reached agreement on the sale of its 98.5% equity interest in the Polish Bank BGZ to the BNP Paribas Group for an amount of around EUR 1 billion. The sale includes the activities of the internet savings bank BGZ Optima. Completion of the transaction is contingent on the required regulatory approvals, but is expected to take place within twelve months. Rabobank reviewed its strategic options for Bank BGZ in 2013. This revealed that it would be very difficult for a still relatively small bank such as Bank BGZ to attain sufficient scale

while the Polish banking sector was consolidating. With BNP Paribas, which already owns a bank of its own in Poland, Bank BGZ can simultaneously achieve substantial benefits of scale and advance its ambitions as a commercial bank with an agri focus. Rabobank intends to continue serving its Dutch customers via the International Desk. Completion of the sale is expected to boost Rabobank Group's tier 1 ratio by some 40 basis points.

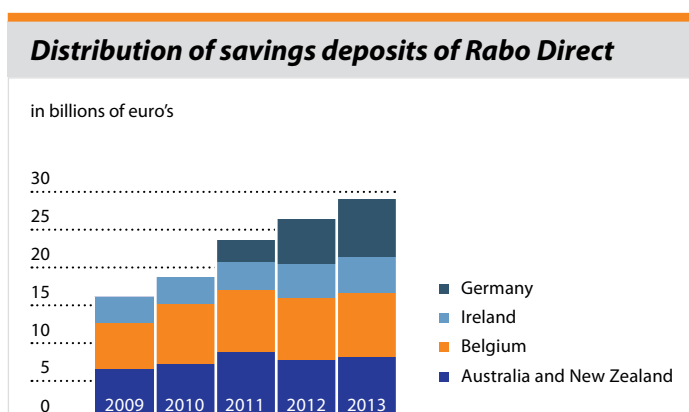
Bank licence in Turkey

The Turkish banking authority approved Rabobank's application for a banking licence in Turkey in 2013. Rabobank already had a representative office and will expand its presence by establishing the subsidiary Rabobank Anonim Sirketi (Rabobank A.S.). Its prime focus will be on serving mid-corporate customers operating in the food and agri sector. Rabobank is confident that, with its expertise, it can contribute significantly to the development of the food and agri sector in Turkey. Rabobank expects to be able to commence its activities in the third quarter of 2014.

Continued growth of savings deposits at RaboDirect

Following the completion of the sale of Bank BGZ – and thus BGZ Optima – Rabobank will have five internet savings banks abroad; in Belgium, Germany, Ireland, Australia and New Zealand. The savings deposits at these banks rose 23% to EUR 29.1 (23.6) billion in 2013 and the number of customers totalled 751,000 (593,000) at year-end. The growth was attributable almost in full

to Germany, where savings deposits increased by EUR 4.8 billion in 2013. In Australia, savings deposits were affected by the sharp depreciation of the Australian dollar versus the euro. The savings deposits from RaboDirect activities are used to fund lending in international rural and retail banking and other divisions of Rabobank Group. In line with the Strategic Framework, Rabobank is seeking to broaden its funding basis by attracting savings deposits in other countries besides the Netherlands as well. With a view to further diversification, funding is also attracted from multilateral development banks. At year-end 2013 the savings deposits from RaboDirect activities accounted for 19% (16%) of the savings deposits at a group level.



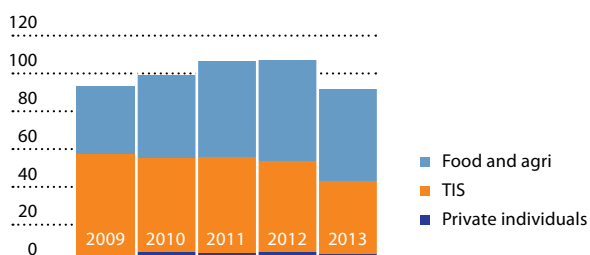
Increase in share of food and agri in the Rabobank International loan portfolio

The volume of lending provided to the food and agri sector came to EUR 49.5 (54) billion, and thus accounted for 54% (50%) of the total loan portfolio. Total lending to trade, industry and services (TIS) fell by 21% to EUR 39.1 (48.2) billion, and loans to private individuals came to EUR 3.6 (5.4) billion.

The further phasing out of lending to non-core sectors in the reporting year, in combination with the depreciation of the US and the Australian dollar (among other currencies) and the agreement reached regarding the sale of Bank BGZ, contributed to a 14% contraction in total lending to private individuals by the wholesale banking and international retail banking division to EUR 92.1 (107.5) billion during the reporting year.

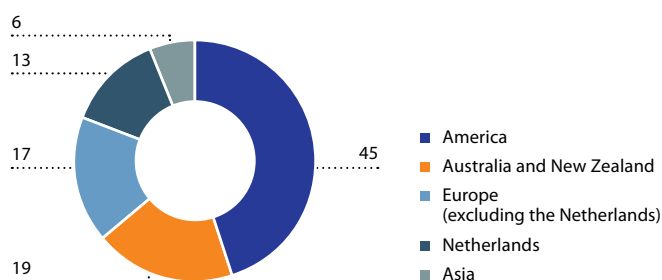
Loan portfolio by sector

in billions of euros



Loan portfolio by region

at year-end 2013, in %



As part of this portfolio, lending to Dutch companies declined by 18% to EUR 12.1 (14.8) billion. The remainder of the loan portfolio was provided to companies outside the Netherlands, with EUR 48.9 (54.1) billion to wholesale companies and EUR 31.1 (38.6) billion to rural and retail businesses. The following entities are included in the loan portfolio of international rural and retail banking:

Loan portfolio

<i>in billions of euros</i>	31-Dec-2013	31-Dec-2012
Rabobank, N.A. (United States)	6.9	6.6
Rabo AgriFinance (United States)	4.7	4.1
ACCBank (Ireland)	2.4	3.1
Rabobank Chili	1.1	1.1
Rabobank Brazil	1.6	1.3
Rabobank New Zealand	5.3	5.2
Rabobank Australia	9.1	10.7

As a result of the agreement regarding the sale of Bank BGZ, this loan portfolio is no longer reported as part of the total private sector loan portfolio.

Rabo Development: Reaching the unbanked in emerging markets

Rabo Development's mission is to include all sections of selected developing societies into the financial system, including the low income segments living in rural areas, while employing cooperative principles and banking expertise. Financial inclusion is one of the main building blocks for inclusive growth, growth that leads to improved living standards for the poor and other vulnerable groups within a developing country.

Partner banks in developing countries

In line with its unique business model, Rabo Development is creating a network of partner banks in emerging markets, which provide financial services to a large customer base. These banks have a special focus on customers in rural areas, where most people remain unbanked, and are also well-equipped to finance agriculture. They serve individual customers, but also other segments such as farmers and small and medium-sized enterprises. Rabo Development offers three types of support to these partner banks: capital, management services and technical assistance.

Capital is provided to emphasize commitment to a long term partnership and to enable the bank to grow and strengthen their business. Rabo Development always remains a minority shareholder in these banks and acts as engaged board member, rather than acting as a controlling majority shareholder. The banks therefore remain domestically-owned.

Management and technical assistance are focused on providing know how to the partner banks in many areas such as IT, risk, products and governance. With these forms of assistance, Rabo Development aims to support these banks in their development towards becoming leading, sustainable local retail banks with a rural orientation and retail client focus.

At the start of 2013, Rabo Development had seven partnerships with banks located in Tanzania, China, Zambia, Mozambique, Paraguay, Rwanda and Brazil. In 2013, Rabo Development was able to form its eighth partnership with DFCU Bank in Uganda. DFCU Bank is the sixth largest bank in the country and is currently a typical SME-oriented bank. The strategy for the coming years is to have a strong focus on retail activities. In addition, a specialized department will be set up to finance the agricultural sector. A five-year technical assistance program for DFCU has been agreed upon, involving also the Netherlands embassy in Uganda as a stakeholder, to be able to support the bank in its development. More in general, Rabo development fosters its relationships with other stakeholders, such as local governments, NGOs and the Netherlands Government.

Bank	Country	Stake (%)	Offices	Employees	Customers (x1,000)
National Microfinance Bank	Tanzania	35	152	2,860	1,481
United Rural Cooperative Bank of Hangzhou	China	9	144	2,146	1,906
Zambia National Commercial Bank	Zambia	46	64	1,643	619
Banco Terra	Mozambique	45	9	157	37
Banco Regional	Paraguay	40	38	711	76
Banque Populaire du Rwanda	Rwanda	35	191	1,450	285
Banco Cooperativo Sicredi*	Brazil	19	1,249	16,258	2,502
Development Finance Company of Uganda	Uganda	28	32	665	133
Total			1,879	25,890	7,039

* The numbers for Banco Cooperativo Sicredi are based on the total cooperative organisation.

National Microfinance Bank (NMB) in Tanzania, a partner bank of Rabo Development since 2005, is an example of a successful partner bank when it comes to financial inclusion. In 2013, it has introduced a new type of account targeting the unbanked in Tanzania. NMB also teamed up with Vodacom, which will provide banking services for NMB customers through its 40,000 M-Pesa agents. These are mainly small shops, but also supermarkets and petrol stations, which sell mobile phone airtime and offer financial services via customers' mobile phones. Through these agents, which are often located closer to them than a branch office, NMB customers can now also access their NMB account.

Sicredi, the partner bank of Rabo Development in Brazil, is a cooperative financial institution that is committed to the social and economic development of its members and the community. Sicredi clearly contributes to financial inclusion, especially in more than 200 cities, where it is the only financial institution in operation to date. In these cities, Sicredi offers financial services to around 250,000 members.

Banco Regional, another partner bank, has been awarded the title of 'Best Bank of Paraguay 2013' by Euromoney. Strong personal relationships with customers and good knowledge of agricultural processes have been key to the bank's success.

Supporting other financial institutions

Rabo Development's activities are not limited to the partner banks only. It also provides banking know how to other banks through banking advisory projects. One of the largest projects running in 2013 at a non-partner bank is in India. The project objective is to revitalize the rural cooperative banking network in the state of Andhra Pradesh, which will benefit the bank's customers and contribute to the system's financial sustainability.

In China, Rabo Development has been working on several projects. It has, for instance, provided technical assistance to Longjiang Bank, focusing on financing Chinese farmers and on outreach in rural areas by employing virtual channels. In Peru, Rabo Development has assisted Agrobanco in developing a strategic business plan for the next 5 years. Agrobanco aims to transform from a bank specialized in extending credit to the agricultural sector into universal retail bank offering basic financial services, not only to farmers, but to the rural population in general.

Strengthening food & agriculture value chains

A large part of Rabo Development's activities are focused on the sustainability of value chains in the agricultural sector. The activities include: (I) strengthening the organisation of local cooperatives, (II) supporting agricultural departments of (partner) banks and (III) advising food & agri businesses on value chain development. In the ideal situation, these three come together in one project. For example in Rwanda, where Rabo Development – supported by Rabobank Foundation – strengthened the local rice cooperatives and supported local partner bank BPR with the development of a financing concept for rice cooperatives. ICM (an Australian rice miller based in Rwanda and client of BPR) provided off-take guarantees to these cooperatives thereby providing a secure market for the coops and increasing the supply of rice to its mills.

In addition to working with its partner banks in the area of agri finance, Rabo Development started assisting Chase Bank in Kenya in agricultural financing and in Ethiopia it is working on improving financing of the coffee sector. Nigeria is interesting, because it has the largest and fastest-growing population in Africa. The UN expects that by 2050 Nigeria has a larger population than the US. This puts enormous pressure on agriculture productivity. Rabo Development is working together with Bank of Agriculture (BoA) to improve financing to the agricultural sector. At the same time, it is advising the World Bank in the design of a national Guarantee Fund for the agricultural sector.

Human Resources and capacity building

In 2013, Rabo Development deployed short-term banking specialists for a total of approximately 95 (150) man-months, for projects at partner banks and non-partner banks. Moreover, at year-end 2013, 21 (20) managers and long-term consultants were seconded by Rabo Development to work at these banks. For both the short- and long-term consultants and managers, the partner banks provide meaningful international experience that enriches their careers. Aside from all training provided to (partner) banks locally, Rabo Development also organizes training programs and study tours in the Netherlands for staff from partner banks and non-partner banks. Each year, for example, talented employees of the banks are invited for an extensive 'Talent program', allowing these employees to return to their banks with a wealth of best practice knowledge.

You can read more on this in the sustainability report.

Financial results of wholesale banking and international retail banking*

Results			
<i>in millions of euros</i>	2013	2012	Change
Interest	2,617	2,775	-6%
Commission	637	618	3%
Other results	793	612	30%
Total income	4,047	4,005	1%
Staff costs	1,270	1,320	-4%
Other administrative expenses	1,737	976	78%
Depreciation	127	120	6%
Operating expenses	3,134	2,416	30%
Gross result	913	1,589	-43%
Value adjustments	568	621	-9%
Bank tax expense	75	60	25%
Operating profit before taxation	270	908	-70%
Taxation	218	204	7%
Net profit	52	704	-93%
Bad debt costs (in basis points)	57	59	-3%
Ratios			
Efficiency ratio	77.4%	60.3%	
RAROC	0.7%	8.4%	
Balance sheet (in billions of euros)			
	31-Dec-13	31-Dec-12	
Total assets	487.4	530.4	-8%
Private sector loan portfolio	92.1	107.5	-14%
Amounts due to customers	111.6	117.9	-5%
Capital requirements (in billions of euros)			
Regulatory capital	6.2	6.5	-5%
Economic capital	7.0	7.9	-11%
Number of employees (in FTEs)	15,941	15,805	1%

* The results of Rabo Development are not included in the results of wholesale banking and international retail banking.

Notes to financial results of wholesale banking and international retail banking

Income up 1%

Total income from wholesale banking and international rural and retail banking was up 1% in 2013, rising to EUR 4,047 (4,005) million. Positive results from Corporate Lending, Capital Markets, Acquisition Finance and Global Client Solutions and the phasing out of the illiquid asset portfolio contributed to the 30% increase in other income to EUR 793 (612) million. Due in part to the decrease in the loan portfolio and interest expenses relating to RaboDirect, interest income fell 6% to EUR 2,617 (2,775) million. Commissions rose 3% in 2013 to EUR 637 (618) million, driven by higher commission income at Capital Markets.

Operating expenses up 30%

Total operating expenses at wholesale banking and international rural and retail banking were up 30% in 2013, rising to EUR 3,134 (2,416) million. The increase was due to the 78% increase in other administrative expenses to EUR 1,737 (976) million as a result of the settlements agreed by Rabobank in the wake of the Libor investigations. Rabobank is not applying the amount paid for the settlements as a deduction for tax purposes. Operating expenses at the rural and retail banking division were virtually unchanged. There was a one-off increase in pension costs in 2012, and partly because this item returned to normal levels in 2013, staff costs declined by 4% compared to 2012 to EUR 1,270 (1,320) million. Depreciation and amortisation rose 6% to EUR 127 (120) million, mainly due to increased write-offs on proprietary software.

Bad debt costs at 57 basis points

There was economic growth internationally last year, mainly driven by emerging markets. Dutch companies doing business abroad were able to benefit from higher exports. These factors contributed to the 9% decline in value adjustments at wholesale banking and international rural and retail banking to EUR 568 (621) million in 2013. Value adjustments at ACCBank amounted to EUR 325 (301) million. Bad debt costs came to 57 (59) basis points of average lending, and were thus higher than the long-term average of 54 basis points.

Regulatory capital down 5%

Regulatory capital at wholesale banking and international retail banking was down 5% to EUR 6.2 (6.5) billion in 2013, as a result of the phasing out of non-core portfolios and lower market risk. The economic capital came to EUR 7 (7.9) billion. This decline was mainly due to the aforementioned phasing out of non-core portfolios.

Outlook for wholesale banking and international retail banking

The focus will continue to be on market leadership in the Netherlands and on the food and agri sector internationally. The rural and retail banking division will continue to look for investment opportunities in important food and agri countries in 2014. In addition, the wholesale and international rural and retail banking business will focus on expanding its services to existing clients and further improvement in the quality of the loan portfolio. This will be accompanied by a phasing out of non-core activities. Value adjustments are expected to be in line with those in 2013. The regulatory capital is expected to be lower compared to 2013, due to the sale of Bank BGZ. The result in 2013 was significantly affected by the settlements in relation to the Libor investigations. The result should rise substantially in 2014, and return to a more normal level. Finally, much attention will be devoted in 2014 to the reforming of Rabobank International from a separately managed division into an integral part of Rabobank Nederland.

High level of creditworthiness: risk management

www.rabobank.com/investorrelations

Rabobank Group pursues a prudent risk policy aimed at maintaining a moderate risk profile. This is reflected, for instance, in our comfortable liquidity position and our strong capital position. In the reporting year, EUR 20 billion in long-term funding was raised. Savings deposits also increased. In combination with the decrease in lending and short-term funding, the dependence on wholesale funding was further reduced. Despite this strong position, Rabobank Group remains susceptible to the effects of the current economic situation. The economic developments led to a further worsening of the risk profile of Rabobank Group's domestic loan portfolio. Bad debt costs stood at 59 basis points of average private sector lending.

General

Introduction

Risk management is an important core competence and function for any banking institution and Rabobank Group is no exception. This chapter describes the principles underlying Rabobank's risk management policy and how Rabobank organises its risk management. It discusses the risk strategy and risk appetite and the principal risks for Rabobank Group, and then covers the specific risks that Rabobank Group is faced with, i.e. credit risk, country risk, interest rate risk, liquidity risk, market risk, currency risk and operational risk, including reputation and fraud risks. In addition, the bank is exposed to other risks that may strongly affect earnings and equity, including risks related to the banking environment, general economic conditions, government policies and regulations. Both Rabobank itself and the Dutch Central Bank (DNB) have formulated standards concerning Rabobank Group's organisation and control. Rabobank Group's organisation and control are subject to the Dutch Financial Supervision Act, including subordinate legislation based thereon, and regulations imposed by both DNB and the Netherlands Authority for the Financial Markets (AFM) in their capacity as regulators. These legal and regulatory requirements form Rabobank Group's framework for the design of the organisation and control of its activities. The implications of future regulatory requirements, including the European Single Supervisory Mechanism and Recovery and Resolution, were major focus areas in 2013, and will continue to be in 2014.

Risk management principles

An extensive system of limits and controls is in place to manage risk within Rabobank Group. The primary objective of risk management is to protect Rabobank Group's financial robustness and reputation. The risk policy is embedded throughout Rabobank Group by the following principles:

- **Protecting Rabobank's financial robustness:** risks need to be managed in order to limit the impact of adverse potential events on equity and earnings. Risk appetite must be proportional to available capital. Risk appetite is defined annually. An internal framework has been developed to quantify risks;

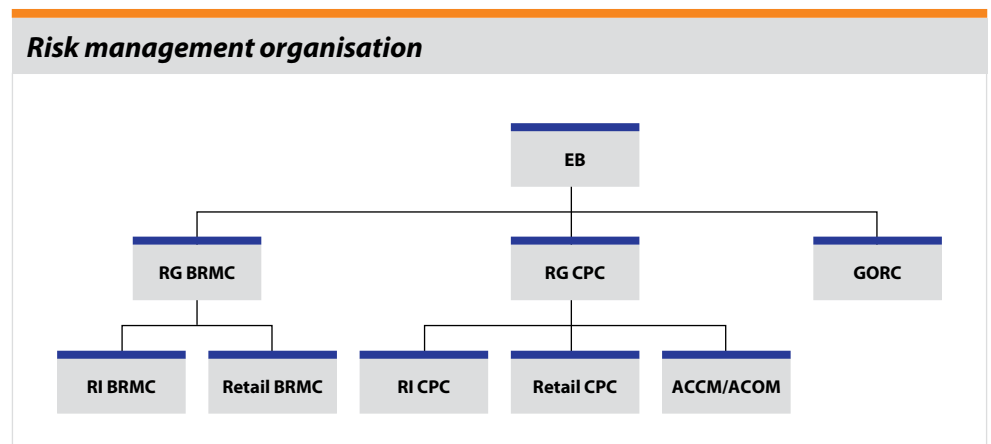
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- **Solid balance sheet ratios:** these are essential for continuity in our client services. This means a stable funding basis, strong liquidity buffers, compliance with internal and external requirements for capital buffers and a comfortable solvency position;
- **Protecting Rabobank’s identity and reputation:** reputation is of paramount importance for engaging in banking operations;
- **Risk transparency:** identifying, documenting and discussing all risks is essential in order to obtain a good understanding of Rabobank Group’s exposures. Risks must be weighted as accurately as possible to enable sound commercial decisions to be made;
- **Management accountability:** the entities of Rabobank Group are individually accountable for their results as well as for the risks associated with their operations. A balance must be preserved between risk and return, within the boundaries defined by the relevant risk limits;
- **Independent risk control:** this is the structured process of identifying, measuring, monitoring and reporting risk. In order to ensure integrity, the risk management departments operate independently of the commercial activities.

Risk management organisation

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Risk management is performed at different levels within Rabobank Group. At the highest level, the Executive Board (EB) determines the risk strategy, risk appetite, policy principles and limits under the supervision of the Supervisory Board. Committees are in place to advise the EB in its risk management tasks: The Rabobank Group Balance Sheet and Risk Management Committee (RG BRMC) (including subcommittees for Rabobank International (RI) and Retail); Rabobank Group Credit Policy Committee (RG CPC) (including subcommittees for Rabobank International (RI) and Retail), the Approval Committee for Credit Models and Other Models (ACCM/ACOM); and the Group Operational Risk Committee (GORC).



The Supervisory Board regularly reviews the risk exposure of Rabobank Group’s activities and portfolio, with the Risk Committee (RC) preparing the decision-making processes in the Supervisory Board. The Chief Financial and Risk Officer (CFRO) is responsible for the risk policy at Rabobank Group. Two directorates share responsibility for risk policy. Group Risk Management is responsible for overall risk management and more specifically for the policy regarding interest rate, market, liquidity and currency and operational risks, as well as for the credit risk policy at portfolio level. Credit Risk Management is in charge of the policy for accepting new clients in terms of credit risk at individual customer level. Furthermore, within each group entity, risk management is the responsibility of independent risk management departments.

Significant risks and developments

There is a strong interdependence between events in the environment of the bank and the applicable risks. The risks do not occur in isolation but are interconnected and may even mutually reinforce each other. Recent history has shown that extreme risks can occur as well. Rabobank has a tradition and culture of prudent risk policy, as part of which it acts with a keen awareness of risks and uses its scarce resources with caution and due consideration. This prudence is applied in taking as well as in implementing strategic decisions. Rabobank applies a risk strategy that is aimed at continuity and compliance with legislation and regulations. An important task of risk management within Rabobank is to ensure that risks are adequately identified, analysed, reported and managed. Risk management is also responsible for establishing procedures for measuring, monitoring and reporting risks and defining escalation procedures. Risk identification takes place both in developing the strategy and defining risk appetite and in implementing strategic choices and regular operational activities. The principal risks are periodically reported in the relevant risk committees. Top-down and bottom-up risk analyses and various stress tests are performed annually as part of a comprehensive assessment of the various risk categories. The top risks, developments in the top risks and emerging risks are a subject of discussion in the Executive Board and the Supervisory Board.

Principal risks for Rabobank Group

There is no such thing as risk-free banking. Every day, Rabobank takes thoroughly considered decisions on risk in its lending operations for instance, in entering into interest rate contracts and in its other services. An extensive risk and control framework is in place to manage risks, designed to ensure that the risks incurred remain within the bank's defined risk appetite and that risk and return are appropriately matched.

Key risks for the bank are: interest rate, market, credit, and liquidity risks. This chapter discusses the limits, the risks incurred in 2013 and the controls for each risk category. Fundamental residual risks remain, however, which are:

The risk of sustained exceptional interest rate movements

The bank's interest rate risks are managed by defining limits for potential losses of income or value adjustments in equity in the event of interest rate shocks. However, sustained extremely low or high interest rate levels generate risks for the financial system and therefore for Rabobank as well. Stress tests and scenario analyses are used to identify the potential impact on the bank, examine possible responses and prepare a contingency plan where possible. Rabobank is currently in an economic environment with historically low interest rate levels. Rabobank has opted to mitigate the impact of a potential sharp rise in interest rates by reducing a substantial part of its interest rate risks. The residual risk consists of a sustained low level of interest rates in combination with a relatively low interest rate risk that would put pressure on Rabobank's profitability mainly due to the impact of this residual risk on interest rate-sensitive operations. In addition, low interest rate levels generally have an adverse impact on the profitability of interest rate-sensitive operations.

The risk of sustained exceptional market developments

Rabobank is exposed to market risks. These risks are monitored on a daily basis and a set of strict limits are in place. The [Value at Risk](#) model provides a risk measure for the potential losses, on the basis of historical fluctuations. Despite the fact that very extreme shocks and uncertainties concerning historical losses are taken into account, sustained adverse market trends constitute a residual risk. This risk is mitigated by adjusting the market risk position. In addition, Rabobank

actively further limited the risks of the activities in the financial markets in 2013. Various activities in the financial markets remain necessary, however, for instance with a view to managing a liquidity buffer, and they perform an essential function within Rabobank. These activities do not just support the bank's customers but the entities of Rabobank Group as well.

Unexpected loan losses

Rabobank takes the costs of potential loan losses into account in its lending operations. Assessments are also performed based on internal models, analyses and stress tests for losses in less expected scenarios, the unforeseen losses. The remaining risk is that a highly negative scenario unfolds in which the unforeseen loan losses prove to be higher than estimated. This risk is partly mitigated by an effectively diversified business model and prudent lending criteria. Forming buffers for unforeseen loan losses by strengthening the equity position and an active policy for non-performing loans further reduce the risk of unforeseen loan losses.

Lack of access to sources of funding

Rabobank Group's access to the market for unsecured funding – i.e. the unsecured bond market – is important for the bank and depends in part on its credit ratings. A downgrade or an announcement of a potential downgrade in its credit ratings due to a changed outlook for the financial sector or the bank itself, the sovereign rating, the rating methodology or another change can adversely affect its access to sources of alternative funding and its competitive position. This can lead to rising funding costs or requirements for additional security that can have a material adverse impact on the earnings of a bank or financial institution. Another risk in this connection is the risk of savings being withdrawn on demand. Savings can largely be withdrawn on demand. Rabobank has a very comfortable liquidity buffer that limits the above risk. A residual risk remains from withdrawals on demand. This can manifest itself as a result of a change in the (perceived) solidity of the bank, reputation damage but also of technological developments.

In addition to these specific residual risks in its core banking activities, Rabobank also identified the following risks for the banking activities in 2013:

Business conditions and general economic conditions

The profitability of Rabobank Group could be adversely effected by a worsening of general economic conditions in the Netherlands and/or globally. Banks are still facing persistent turmoil in financial markets following the European sovereign debt crisis that arose in the first half of 2010 and has continued in 2013. Factors such as interest rates, exchange rates, inflation, deflation, investor sentiment, the availability and cost of credit, the liquidity of the global financial markets and the level and volatility of equity prices can significantly affect the activity level of customers and the profitability of Rabobank Group. Also, a prolonged economic downturn, or significantly higher interest rates for customers, could adversely affect the credit quality of Rabobank Group's assets by increasing the risk that a greater number of its customers would be unable to meet their obligations.

Effect of government policy and regulation

Rabobank Group's businesses and earnings can be affected by the fiscal or other policies and other actions of various governmental and regulatory authorities in the Netherlands, the European Union, the United States and elsewhere. A distinction can be drawn between on one hand legislation and regulations with impact on the present form of the organisation and its

business model and on the other hand regulations that necessitate adjustments in business processes. With the introduction of a European Supervisory authority the way supervision is performed will change. The number of data requests and the requirements in this field are set to increase even further.

Trust

Society's trust in banks is low. This lack of trust, which has its origins in the credit crisis and the numerous incidents that have eroded trust throughout the world since then, affects the way in which banks and banking products are viewed. It is essential for banks to regain this lost trust.

Capital requirements

Rabobank Group is subject to the risk, inherent in all regulated financial businesses, of having insufficient capital resources to meet the minimum regulatory capital requirements. Under the current Basel regime, capital requirements are inherently more sensitive to market movements than under previous regimes. Capital requirements will increase if economic conditions deteriorate or if negative trends occur in the financial markets.

ICT and cybercrime

New technology and technological developments offer new possibilities for interaction with clients. They can contribute to efficiency improvements, by making services better and more cost-effective. It is imperative to keep up with continually accelerating change. The introduction of new services, such as mobile payments, will also entail changes in our customers' conduct and a changed risk profile. This will have an effect on the bank's role and its (perceived) added value for customers. In addition, some services will be provided on a digital basis instead of through personal contact.

These technological developments offer opportunities, but also form a growing source of risks in the form of cybercrime. Combining easy access to systems and programs for clients with the highest possible level of information security and with 24/7 availability continues to be a key challenge. Service continuity is paramount. Criminal activities via computer systems such as system disruptions, DDoS, phishing and hacking are on the rise. They are aimed at a wide range of goals: fraud, extortion, system disruptions for robbing money and/or privacy-sensitive data, or data corruption.

Risk appetite

Determining the risk appetite, drawing up comprehensive risk analyses – for each group entity and for the group as a whole – and measuring and monitoring risks are important components of the risk management cycle.

Rabobank deploys scarce and valuable resources: its balance sheet, its capital, its knowledge and reputation. Rabobank avoids risks that conceivably endanger its continuity or negatively affect its business model. Rabobank's risk appetite framework defines the bank's risk strategy. This risk strategy is based on continuity and focuses on:

- protection of profits and profit growth;
- maintenance of sound balance sheet ratios; and
- protection of Rabobank's identity and reputation.

The risk appetite framework identifies quantitative and qualitative risk criteria for specific risks such as credit risk, balance sheet risk (liquidity risk, interest rate risks and market risk) and operational risks.

EDTF recommendation 2

Quantitative aspects

Qualitative aspects	Profit and profit growth	Sound balance sheet ratios	Reputation and identity
	<ul style="list-style-type: none"> Continuity is a central tenet for Rabobank. The cooperative strives to generate sufficient income with as objective being able to serve members and clients for the long term. The willingness to accept a continual downward tendency of profits as well as losses that can cause concern to stakeholders is very limited. 	<ul style="list-style-type: none"> Sound balance sheet ratios are essential for being able to continually serve Rabobank's clients. This implies a stable funding capability, strong liquidity buffers and ample solvency. Matched funding; Assets with long maturities being funded with stable long-term liabilities. This stable funding is based primarily on customer deposits. Any funding gaps are closed by long-term contracts concluded in the professional capital markets. 	<p>Rabobank is not prepared to accept risks that could reasonably be assumed to damage its reputation or identity. Through its attitude and behaviour Rabobank wants to ensure that:</p> <ul style="list-style-type: none"> the fundamental trust the stakeholders have in Rabobank is protected at all times; Rabobank is not portrayed negatively in the news in areas that are essential to Rabobank's core values.
	Credit risk	Balance sheet risk	Operational risk
	<p>Rabobank wants to continue its prudent credit policy and controlled growth in the credit portfolio which is in line with Rabobank's strategic framework and image. In order to accomplish this:</p> <ul style="list-style-type: none"> the credit portfolio must retain a low risk profile; the credit portfolio cannot grow without bounds; capital and funding will need to be used selectively. 	<p>Rabobank wants to avoid any material unexpected movements in the interest rate result and aims to be able to withstand any extreme interest rate scenarios. Early warning indicators are used to identify changes in Rabobank's liquidity position or market disturbances at the earliest stage possible.</p> <p>Market risk is result of trading activities. For these activities a complete set of limits and trading controls have been set up.</p>	<p>Indicators and limits are monitored for the following aspects:</p> <ul style="list-style-type: none"> clients, products and entrepreneurship; execution, transfers and process management; fraud and theft; interruption of business and systems; working conditions and workplace security; damage of material goods; modelling.

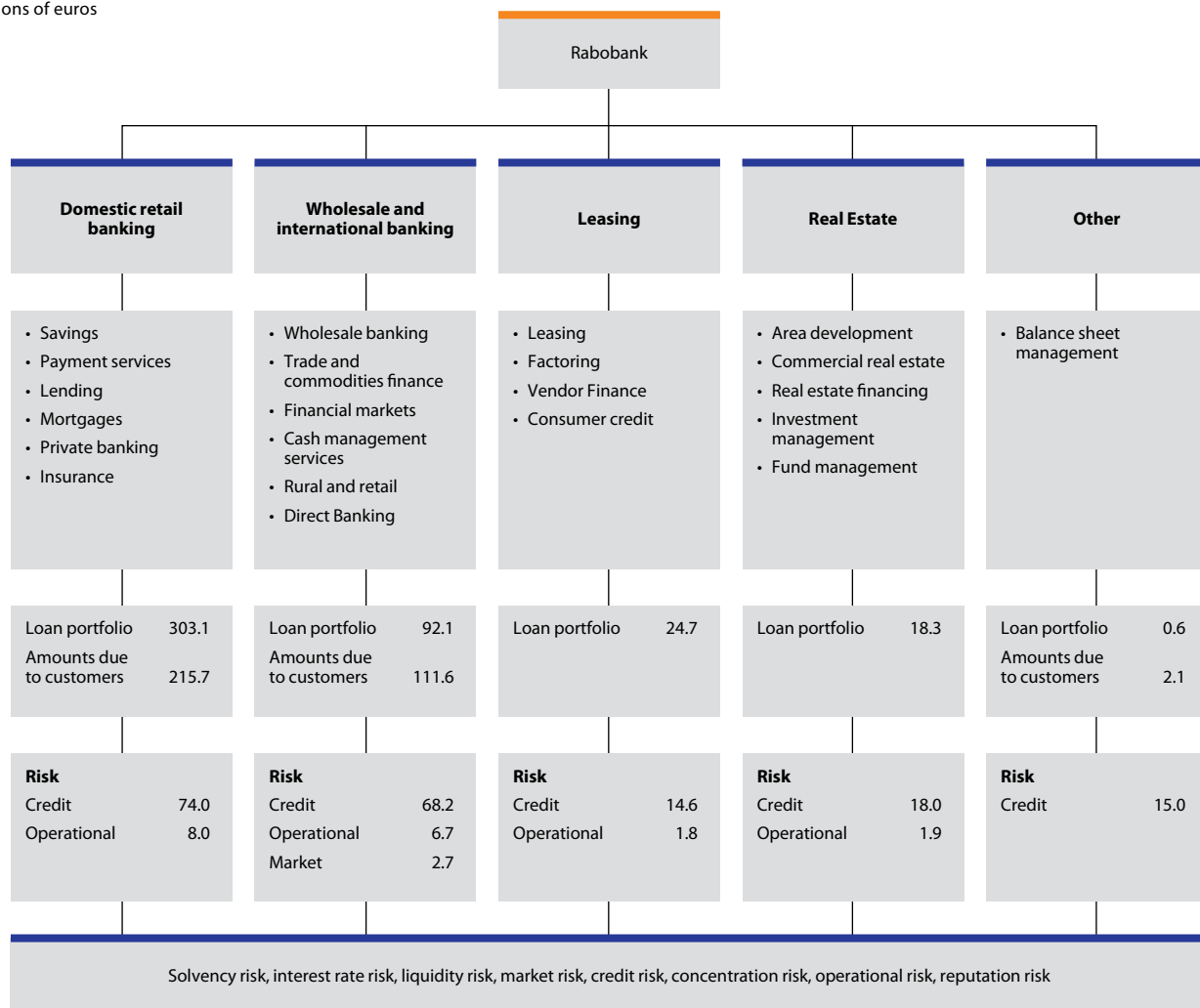
A number of the indicators that are measured, monitored and reported at a group level for sound balance sheet ratios are included in the table below. Operational management uses several additional indicators that may differ for individual group entities.

Risk appetite measure	Target (2016)	Achieved at 31-Dec-2013
Core tier 1 ratio	14.0%	13.5%
Tier 1 ratio	17.5%	16.6%
Loan-to-deposit ratio	1.30	1.35
Capital ratio (BIS-ratio)	>20%	19.8%

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Rabobank strives to maintain a low risk profile. Predictable and consistent financial results and solid balance sheet ratios as reflected for example in the high targets associated with core tier 1 ratio are essential in achieving this risk profile. Focus on Rabobank's reputation leads to restraint, strong soft controls and occasionally requires a uniquely tailored approach. The low risk profile should contribute to high revenue stability where large incidental losses are largely prevented.

Amounts in billions of euros



Libor

Rabobank has agreed settlements with various authorities, for which it has paid a total of 774. The payment of these substantial settlement amounts will not have an impact on Rabobank's financial stability.

In addition, Rabobank has taken the following measures:

- Rabobank has taken strict disciplinary measures against all employees who were involved in the inadmissible behaviour and who were still working at the bank during the period of the investigation.
- The contracts of employment of employees who were involved in grave inadmissible behaviour have been terminated. Other disciplinary measures included formal warnings, financial sanctions and the withdrawal of management responsibilities or a combination of those measures. Bonuses for the period 2009-2012 were reclaimed in full or in part.
- Rabobank has implemented internal systems and controls in respect of the submission procedures for interest rate benchmarks that meet the highest requirements within the financial sector and comply with the most recent guidelines of regulators and the banking sector. This includes the requirement that the bank's submission procedures must be subject to regular internal and external audits.

- A conduct and culture change programme developed with the help of outside experts has been rolled out worldwide within Rabobank International. This programme is aimed at more clearly treating the bank's customers fairly and strengthening the focus on integrity and regulatory compliance. A similar conduct and culture change programme is currently being introduced within Rabobank Nederland.
- Rabobank International has critically reviewed the activities within Global Financial Markets and will continue to do so with a view to limiting risks, including risks relating to regulatory compliance. The bank has consequently already taken significant steps to divest certain product groups and to withdraw from certain markets, where necessary.
- Rabobank has also undertaken major investments and will continue to do so to strengthen its activities in the field of compliance, risk management and internal audit to address specific shortcomings identified by authorities. These efforts, which also involve outside experts, include an emphasis on improving cooperation between risk management staff at Rabobank Nederland and Rabobank International, a significant expansion of the number of compliance staff and numerous systematic improvements of bank's compliance function, as well as a refocusing of the audit function prioritising timely and effective action to follow up on audit findings.
- Rabobank has also revised its remuneration policy to reduce the emphasis on financial targets.

Stress testing

EDTF recommendation 8

At Rabobank, stress tests form an essential part of the risk management framework. Stress tests are used to measure the impact on Rabobank of extreme, yet plausible events. Where necessary, measures are taken on the basis of the results of the stress tests that are in line with Rabobank's risk appetite.

In addition to group-wide stress tests, tests are also performed for specific portfolios and risk types. The various scenarios take account of macro-economic factors including growth, unemployment, inflation, interest rates, share prices and real estate prices.

In 2013 Rabobank carried out two group-wide stress tests. A stress test of the Dutch Central Bank (DNB) took place in the latter part of the year to determine the impact of a number of external scenarios on Rabobank's capital and liquidity position. In addition, a group-wide stress test on the basis of internal scenarios approved by DNB was carried out as part of the annual Supervisory Review and Evaluation Process (SREP).

In the reporting year, specific portfolio stress tests were performed for the mortgage portfolio and the real estate portfolio. The scenarios for the group-wide and specific stress tests were constructed to measure the impact of events such as negative economic developments in European countries and developments in the mortgage and real estate markets in the Netherlands.

Scenario analysis is used in monthly stress tests for specific risk types to simulate the potential impact on liquidity of a wide range of stress scenarios. This involves analysis not just of market specific scenarios, but also of scenarios that apply specifically to Rabobank. These scenarios are also combined in a stress scenario featuring adverse market developments as well as stress for the Rabobank positions. In addition monthly reporting to DNB takes place on the group-wide liquidity position on the basis of the guidelines drawn up by the supervisory authority.

Rabobank comfortably complies with the minimum survival period of three months set for the internal stress scenarios. This means that in times of very extreme liquidity stress in the financial markets and Rabobank specifically, Rabobank has sufficient liquidity for a period of at least three months, without government support.

In 2014, Rabobank will implement the stress test of the European Banking Authority (EBA) which, according to the announcement, is set to start in March 2014. Prior to that test, Rabobank will take part in various Asset Quality Reviews.

Risks

Credit risks

Prudent credit policy and embedding of credit risk management

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

Credit organisation

Rabobank Group has three Credit Policy Committees (CPCs): the Rabobank Group CPC, the Rabobank International CPC, and the Member Banks CPC. The Rabobank Group CPC determines the credit risk policy at group level. Within this framework, the group entities define and establish their own credit risk policies. In this context, the Member Banks CPC is responsible for domestic retail banking, and the Rabobank International CPC for wholesale banking and international retail banking. The Executive Board is represented by three members in the Rabobank Group CPC. This committee is chaired by the CFRO, as are the Rabobank International CPC and Member Banks CPC. The other members of CPCs are representatives of Rabobank Group's most senior management levels.

Credit acceptance

Rabobank Group's prudent policy for accepting new clients is typified by careful assessment of clients and their ability to repay any credit that is granted (ability to continue as a going concern). As a result, the loan portfolio has an acceptable risk profile even in less than favourable economic circumstances. Rabobank Group aims to have long-term relationships with clients that are beneficial for both the client and the bank. Approval of larger credit applications is decided on by committees. A structure consisting of various committee levels has been established, with the competent committee being determined by the amount of the credit application. The Executive Board itself decides on the largest credit applications.

With regard to corporate loans, a key concept in Rabobank Group's policy for accepting new clients is the 'know your customer' principle, which means that loans are only granted to corporate clients if Rabobank Group believes their management has integrity and expertise. In addition, Rabobank Group closely monitors developments in the business sectors in which its clients operate and can properly assess the financial performance of its clients. Sustainable business practices imply responsible financing and, accordingly, sustainability guidelines also apply to the lending process.

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Credit risk and Basel II

Credit monitoring and reporting

With the introduction of the Basel II framework, Rabobank developed the Rabobank Risk Rating (RRR) master scale, comprising 21 performing ratings (R0-R20) and 4 default ratings (D1-D4). The performing ratings are linked to the probability of default of the client within a period of one year (PD; Probability of Default), for which purpose the ratings are determined on a cycle-neutral basis in principle. The D1-D4 ratings represent default classifications. D1 represents 90 days' arrears, D2 a high probability that the debtor will not be able to pay, D3 means that the debtor is unable to meet his obligations and foreclosure is required and D4 is the status of bankruptcy. In accordance with this approach, all D-ratings constitute the total non-performing exposure.

In addition to the RRR referred to above, Rabobank uses the Loan Quality System for internal reporting. This system applies five different categories: Good, OLEM, Substandard, Doubtful and Loss. The focus is on developments in the classified portfolio, comprising the classifications vulnerable continuity, imminent discontinuity and discontinuity. The exposures in this portfolio are reviewed and addressed (at least) twice a year by the Special Accounts department. In external reports, Rabobank focuses on the impaired loans, which are defined as exposures with a D-rating for which a provision has been recognised.

Rabobank has recently developed a policy for monitoring its forbearance portfolio every quarter. This policy will be implemented in 2014. Forbearance means 'clemency'. The forbearance portfolio consists of the customers of Rabobank for whom forbearance measures have been put in place. The measures under that name comprise concessions to debtors with (imminent) financial problems. Examples include postponements of repayments and extensions of the term of a facility. The rationale for the focus on this portfolio derives from the concerns of the European supervisory authorities about the deterioration of the quality of the portfolio; it is feared that forbearance measures might camouflage this deterioration of the portfolio as debtors are able to meet their financial obligations for longer periods owing to the concessions. The identification of forbearance measures for the corporate portfolio will be based on the current Loan Quality Classification framework, with forbearance measures only applying to the classified portfolio. If forbearance measures are applied to a debtor, the debtor will by definition be dealt with by the Special Accounts department. In addition, all debtors in the retail portfolio to whom forbearance measures are applied are required to be included in the non-performing loans portfolio. Lastly, items in the forbearance category must be reported for up to two years after a recovery. This period of two years is referred to as 'probationary period'.

Basel II compliance

Rabobank Group uses the Advanced Internal Rating Based (Advanced IRB) approach for credit risk. This is the most risk-sensitive of the Basel II credit risk approaches. Rabobank Group has professionalised its risk management further by combining Basel II compliance activities with the implementation of a best-practice framework for economic capital. The main Basel II parameters as far as credit risk is concerned are EAD (Exposure at Default), PD (Probability of Default) and LGD (Loss Given Default). The economic capital and Risk Adjusted Return On Capital (RAROC) are determined partly on the basis of these parameters. A significant advantage associated with the use of the economic capital framework is a streamlined, efficient approval process. Using the Basel II parameters and RAROC helps credit analysts and credit committees to take even more thoroughly considered decisions. Every Rabobank Group entity has established a RAROC target at corporate client level. Alongside credit quality, this is an important factor when taking decisions on specific credit applications. In addition, the Basel II parameters mentioned above are an important element of management information at portfolio level.

EAD is the best estimate of the extent to which a bank may be exposed in the event and at the time of a counterparty's default. At year-end 2013, the EAD of Rabobank Group's total Advanced IRB loan portfolio was EUR 574 (606) billion. This EAD includes the expected future usage of unused credit lines.

At year-end 2013, the EAD weighted average PD of Rabobank Group's total performing Advanced IRB loan portfolio stood at 1.12% (1.03%). The slight deterioration in the PD was caused by a change in the PD of existing debtors as well as by changes in the composition of the portfolio (inflow and outflow of clients), the implementation of new models and policy changes.

It should be noted that this PD only reflects the extent to which clients are expected to be able to meet their obligations. The PD does not provide any indication as to the potential losses, because Rabobank Group has in many cases secured additional collateral. This is reflected in the LGD, which also takes the possibility of restructuring into consideration. The LGD is the estimated economic loss that will result if the debtor defaults, expressed as a percentage of the EAD. At year-end 2013, the LGD percentage of Rabobank Group's total Advanced IRB portfolio was 21.8% (21.8%).

Impaired loans and allowance for loan losses

EDTF recommendation 28

Once a loan has been granted, ongoing credit management takes place, as part of which new information (financial and non-financial) is assessed. The bank ascertains whether the client is fulfilling all its obligations and whether it can be expected to continue to do so in future. If this is expected not to be the case, credit management is stepped up, monitoring becomes more frequent, and a closer eye is kept on credit terms. Guidance is provided by a special department within Rabobank Group, particularly in the case of larger, more complex loans granted to businesses whose ability to continue as a going concern is at stake. If it is likely that a debtor will be unable to pay the amounts owed to Rabobank Group in accordance with the contractual obligations, this will give rise to an impairment. If necessary, an allowance is formed that is charged to income. The allowance for loan losses consists of three components, as described below:

- The **specific allowance** is determined on an individual basis for impaired corporate loans representing significant sums. This allowance is equal to the exposure to the client less the discounted value of future cash inflows;
- The **collective allowance** is determined for impaired loans which individually are not significant, i.e. primarily loans to private individuals and small businesses. The allowance is set at portfolio level, using IFRS-adjusted Basel II parameters;
- The **general allowance** is determined for the portion of the portfolio that is actually impaired at the balance sheet date but has not yet been identified as such (IBNR: incurred but not reported). In this case, too, IFRS-adjusted Basel II parameters are used to determine the amount of the allowance.

Any loans, amounts due from banks and credit-related obligations that have been provided for qualify as impaired. At year-end 2013, this involved an amount of EUR 12,809 (11,203) million. The allowance for loan losses stood at EUR 4,306 (3,842) million, which corresponds to a 34% (34%) coverage of impaired loans. It should be noted that for several years now, the allowance for portfolios to which a very low probability of recovery is assigned has been written off at group level. Accordingly, impaired loans are also reduced by that same amount. Excluding this write-off of EUR 4,405 (3,940) million the coverage ratio was 51%.

Over and above these allowances, additional coverage was raised through collateral and other securities. Rabobank Group applies the one-obligor principle, which means that the exposure to the debtor and all counterparties belonging to the same group is taken into account. In addition, the full exposure to the client is qualified as impaired, even if adequate coverage is available for part of the exposure in the form of collateral. Finally, Rabobank Group always takes allowances at an early stage within the rules of IFRS. At year-end 2013, impaired loans corresponded to 2.9% (2.4%) of the private sector loan portfolio.

Impaired loans and allowance for loan losses				
<i>in millions of euros</i>	31-Dec-13			
	impaired loans	impaired loans in % of loan portfolio	allowances	allowances in % of impaired loans
Domestic retail banking	6,651	2.2%	2,275	34%
Wholesale banking and international retail banking	2,670	2.9%	708	27%
Leasing	721	2.9%	480	67%
Real estate	2,767	15.1%	842	30%
Rabobank Group	12,809	2.9%	4,306	34%

Impaired loans and allowance for loan losses				
<i>in millions of euros</i>	31-Dec-12			
	impaired loans	impaired loans in % of loan portfolio	allowances	allowances in % of impaired loans
Domestic retail banking	5,317	1.7%	2,027	38%
Wholesale banking and international retail banking	3,456	3.2%	951	28%
Leasing	905	3.6%	488	54%
Real estate	1,525	8.2%	376	25%
Rabobank Group	11,203	2.4%	3,842	34%

Despite the slight improvement in economic conditions, particularly in the Netherlands, value adjustments rose relatively sharply in the second half of 2013. Expressed in basis points of average private sector lending, bad debt costs stood at 49 in the first half of 2013 and at 69 in the second half of the year. The ten-year average (period 2003-2012) for bad debt costs is 28 basis points. This movement was seen primarily at the Dutch and Irish real estate activities, as a result of a thorough review of the overall portfolio in this area.

Value adjustments by group entity		
<i>in millions of euros</i>	2013	2012
Domestic retail banking	1,384	1,329
Wholesale banking and international retail banking	568	621
Leasing	170	147
Real estate	513	237
Other	8	16
Rabobank Group	2,643	2,350

Bad debt costs in basis points of the average loan portfolio		
<i>in basis points</i>	2013	2012
Domestic retail banking	45	44
Wholesale banking and international retail banking	57	59
Leasing	59	53
Real estate	278	124
Rabobank Group	59	52

Developments in the real estate portfolio

Rabobank's portfolio of commercial real estate in the Netherlands is managed primarily by FGH Bank and the local Rabobanks.

The quality of the commercial real estate loan portfolio has been adversely affected by current conditions in the market. The value of properties is falling, with the value of less marketable real estate coming under particular pressure. The review and valuation policy and the non-performing loans policy are based on a risk-oriented approach. Where checks reveal that the assumed value might no longer reflect the market value, the value is reassessed. Valuations are performed by an independent valuer. Rabobank thereby complies with the tighter requirements applied by DNB to valuations and the age of valuations in view of the prevailing market conditions.

At Rabobank Group, the management of the Dutch commercial real estate portfolio receives special attention. The Commercial Real Estate Task Force was set up for this specific purpose in mid-2010. The Task Force frequently reports to the Executive Board on developments in the size of the Dutch portfolio and the level of risk it contains, and it will continue to keep a close eye on developments in the market and in the portfolio for the next few years. Steps to tighten the financing, credit review and valuation policy were already taken in recent years.

Owing to the adverse trends relating to commercial real estate described above, DNB performed an Asset Quality Review in 2013 among the largest Dutch banks to assess whether they maintain sufficient capital and provisions to provide financing in this sector. Virtually the whole of Rabobank's loan portfolio for commercial real estate was within scope. The internal models that are used to determine how much capital is required to be maintained for unforeseen losses have also been assessed. The assessment established that Rabobank maintains sufficient Pillar 1 capital for this portfolio. Rabobank has made substantial additions to provisions in the second half of the year in particular, owing to the deterioration of the quality of the portfolio.

Rabobank Group endorses the aspirations of the Dutch Valuers and Auditors Platform (Dutch acronym: PTA) to increase professionalism, quality and transparency in the area of real estate valuation. Rabobank has ascertained that it already complied with many of the recommendations made in the PTA report, insofar as they are relevant to valuations performed as part of the banking process. Where this was not already the case, Rabobank Group has aligned its valuation procedures with PTA's recommendations.

The following table provides details of the Dutch commercial real estate loan portfolio at 31 December 2013. The project development sector is now reported separately to provide additional information since this sector is also affected by longer completion times and a stagnating real estate market. Rabobank's lending volumes in this subsector are relatively limited at EUR 3 billion, but the portfolio involves a significantly higher level of credit risk costs than the property investments.

<i>in millions of euros</i>	Loan portfolio	Impaired	Allowance	Value adjustments	Write-off
At 31 December 2013					
- Property investments domestic retail banking	9,910	1,104	516	144	35
- Property investments Rabo Real Estate Group (FGH Bank)	14,446	2,410	788	485	23
Total property investments	24,356	3,514	1,304	629	58
- Project development domestic retail banking	1,942	793	396	168	48
- Project development Rabo Real Estate Group (FGH Bank)	1,041	357	30	29	11
Total project development	2,983	1,150	426	197	59

<i>in millions of euros</i>	Loan portfolio	Impaired	Allowance	Value adjustments	Write-off
At 31 December 2012					
- Property investments domestic retail banking	10,346	908	389	103	14
- Property investments Rabo Real Estate Group (FGH Bank)	15,524	1,476	339	223	64
Total property investments	25,870	2,384	728	326	78
- Project development domestic retail banking	2,135	595	255	112	39
- Project development Rabo Real Estate Group (FGH Bank)	978	49	14	9	3
Total project development	3,113	644	269	121	42

Rabobank's Dutch commercial real estate portfolio continued to contract in 2013 as a result of repayments and a lower risk appetite. Market developments are weighing down the quality of the portfolio, which is reflected in a higher level of impaired loans, i.e. bad debt costs, over the past few years. Significant mitigating factors for the quality of the loan portfolio are Rabobank's focus on relationship banking and the fact that its financing policy is more customer than property-driven. If the current economic developments continue, loan losses in the real estate portfolio are expected to remain high in the years to come.

ACCBank accounts for the main portion (EUR 1.1 billion) of the international commercial real estate portfolio. This portfolio is to be considered as run-off. Although the value of the real estate in the prime locations in Ireland is stabilising to some extent, values at other locations are still under pressure. Further additions of EUR 249 million were therefore made to the provisions for this portfolio in 2013. More additions are likewise expected for the year ahead, albeit at a lower level than in the past few years.

Country risk

With respect to country risk, a distinction is drawn between collective debtor risk and transfer risk. Collective debtor risk is the risk that a large number of debtors in a particular country will all be unable to fulfil their obligations owing to the same cause, e.g. war, political or social unrest, natural disasters, or government policy that fails to create macro-economic and financial stability. Transfer risk relates to the possibility of foreign governments placing restrictions on funds transfers from debtors in their own country to creditors in other countries. Rabobank Group uses a country limit system to manage collective debtor risk and transfer risk. After careful review, relevant countries are given an internal country risk rating, after which general limits and transfer limits are set. Transfer limits are introduced based on the net transfer risk, which is defined as total loans granted less loans granted in local currency, guarantees, other collateral

obtained to cover transfer risk and a deduction related to the reduced weighting of specific products. The limits are allocated to the offices, which are themselves responsible for the day-to-day monitoring of loans that have been granted and for reporting on this to Group Risk Management. At the Rabobank Group level, the country risk outstanding, including the additional capital requirement for transfer risk, is reported every quarter to the Rabobank Group Balance Sheet and Risk Management Committee and the Country Limit Committee.

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

Rabobank Group's exposure to government bonds issued by Ireland, Italy and Spain was EUR 174 (202) million at 31 December 2013. The exposure on bonds issued by banks in these countries relates mainly to Spanish covered bonds backed by additional collateral provided by the issuer.

Government exposure at year-end 2013					
<i>Amounts in millions of euros</i>					
Country	Government bonds	State-guaranteed bonds	Bonds issued by financial institutions	Total	Cumulative changes through profit or loss at 31 December 2013
Greece	-	42	-	42	8
Ireland	6	-	42	48	-
Italy	124	-	52	176	-
Portugal	-	-	-	-	-
Spain	44	-	1,390	1,434	6
Total	174	42	1,484	1,701	14

Based on the accounting policies, it was established that impairment losses needed to be recognised in respect of the Greek state-guaranteed bonds and some bonds issued by banks; these positions have been impaired based on their fair market value at 31 December 2013. The effect on the result was very limited in 2013. Next to exposures to Dutch, German and French government bonds, exposures to government bonds issued by other European countries are very low in relative terms.

Interest rate risk

Interest rate risk is the risk that the bank's financial results and/or economic value - given the structure of its statement of financial position - may be adversely affected by fluctuations in money and capital market interest rates. Accepting a certain degree of interest rate risk is an essential element of banking operations and can be a major source of income and value creation.

Within Rabobank, the Executive Board defines the risk appetite and the limits this entails for the following risk measures: (1) Equity at Risk, duration of equity, and (2) Income at Risk, an interest rate sensitivity analysis, for which purposes a gradual interest increase or decrease are respectively assumed for the next twelve months.

Interest rate risks are managed by Rabobank Group's Balance Sheet and Risk Management Committee, which is chaired by the CFRO. The Central Treasury implements the decisions of this Committee, while measurement and reporting are performed by Group Risk Management.

Rabobank's interest rate risks derive mainly from mortgage loans and business lending provided with long fixed-interest periods. These loans are financed in part by savings operations, from the credit balances held by customers in payment accounts and in current accounts and external professional funding.

Interest rate risk at Rabobank originates in:

1. maturity mismatches between loans and funds entrusted;
2. quotation risks, the lower of the rates offered in the proposal and the rate at the time the loan is taken out is applied for homebuyers to whom a mortgage proposal has been made;
3. risks of early repayment, customers are not required to pay redemption penalty interest in all cases;
4. withdrawal risks, this applies mainly for customers' credit balances in current accounts, payment accounts and savings accounts.

Interest rate trends in 2013

Sentiment in the eurozone improved in 2013. Share prices on stock exchanges rose. Swap interest rates also increased, partly because of the FED's announcement that it would phase down the bond buying programme over time. In the end, a decision was taken in December to initiate this as from January 2014. The ECB cut its official interest rate twice, from 0.75% to 0.50% in May and from 0.50% to 0.25% in November. The ECB's policy is aimed at continuing to keep interest rates low for a long time.

Interest rate risk in 2013

The interest rate risk position at the start of 2013 was already very low in historical terms, and has remained low owing to developments in customer operations. Low levels of lending for mortgages for homebuyers and for business lending in combination with developments within funds entrusted have resulted in a stable or falling interest rate risk position. Movements in the interest rate risk position in 2013 are discussed below by reference to two key indicators, Income at Risk and Equity at Risk.

Risk appetite and developments relating to Income at Risk

The maximum acceptable potential interest income loss in the banking book – the Income at Risk (IatR) – was set at EUR 575 million for 2013 by the Executive Board. IatR is calculated on a monthly basis using a standard interest income sensitivity analysis. This analysis depicts the effect on interest income of a gradual parallel interest decrease and increase by 200 basis points in the next twelve months compared to a scenario with stable market interest rates and fees and commission. Income at Risk is equal to the largest negative impact on interest income. Rabobank's interest income was susceptible to a decrease in interest rates for the whole of 2013. IatR in 2013 peaked at EUR 54 million and closed 2013 at EUR 50 million. This low level was partly due to the internal assumption that interest rates cannot fall below 0%. This meant that the assumed decrease was 10 basis points versus an assumed decrease of 5 basis points at the end of 2012.

Risk appetite and developments relating to Equity at Risk

The Equity at Risk (EatR) or duration of equity expresses the percentage by which the economic value of equity falls in the event of a parallel increase in the yield curve by 1%. The Executive Board has set a lower limit of 0% and an upper limit of 10%. The Balance Sheet and Risk Management

Committee applies additional limits for the basis point sensitivity of equity and the delta profile for equity. Incurring risks on interest rate movements is essential to banking operations, which inherently mean that a portion of interest income is achieved by consciously incurring interest rate risk and profiting from interest rate differentials between maturities.

Equity at Risk increased from 1.4% to 2.3% in the course of 2013. There has been hardly any increase of the interest rate risk position from lending operations. The reason is the low level of new mortgages and business lending in combination with an increase in the volume of tax-privileged blocked savings accounts with long fixed-interest periods. The interest rate risk position was also actively managed to a limited extent. In addition, the equity level required to absorb unexpected interest rate shocks is calculated on the basis of historical interest rate scenarios and expert-based scenarios derived from them.

Funding and liquidity risk

EDTF recommendation 21

Liquidity risk is the risk that a bank will not be able to fulfil all its payment and repayment obligations on time, as well as the risk that it will at some time be unable to fund increases in assets at a reasonable price, if at all. This situation might arise if clients or professional counterparties suddenly withdraw more funds than expected, the bank does not have sufficient cash resources, and no solution can be found in the form of selling or leasing assets or borrowing money from third parties. Maintaining sufficient cash resources and retaining the confidence of both professional market parties and retail clients have proved to be crucial in this respect over the past few years as access to the public money and capital markets was guaranteed as a result.

Risk management framework

EDTF recommendation 21

Liquidity risk has long been recognised as a major type of risk by Rabobank. In line with CRDIV, policy is aimed at financing long-term lending with stable funding, i.e. funds entrusted by customers and long-term funding provided by the professional markets. Responsibility for the day-to-day management of the liquidity position, the raising of professional funding in the money market and the capital market, and the management of the structural position lies with Rabobank Group's Treasury department, which reports to the CFRO.

Liquidity risk management is based on three pillars. The first pillar sets strict limits for the maximum cash outflow within the wholesale banking division. This includes daily measurement and reporting of expected cash inflows and outflows for the next twelve months. Limits have been set for these cash outflows, per currency and per location. Detailed plans have been drawn up for contingency funding to be prepared for possible crisis situations. Periodic operational tests are performed for these plans. An operational test of the Rabobank Group contingency funding took place in 2013.

An extensive buffer of liquid assets is maintained as a second pillar. In addition to the credit balances held at central banks, these assets can be used as security for loans with central banks, in repo transactions or to be sold directly in the market so as to generate liquidities immediately. The amount of the liquidity buffer is correlated to the risk incurred by Rabobank in its balance sheet. In the past few years, Rabobank Group has (internally) securitised a portion of the loan portfolio, which can therefore be used as security for loans with the central bank and accordingly acts as an extra liquidity buffer. As these are internal securitisations for liquidity purposes only, they are not shown in the balance sheet for financial reporting purposes but they do count towards the liquidity buffer in place.

The third pillar in limiting liquidity risk is a prudent funding policy. This aims to provide for the funding requirements of group entities at acceptable costs. The diversification of funding sources and currencies, the flexibility of the funding instruments used and an active investor relations function play an important part in this respect. This helps to ensure that Rabobank Group does not become excessively dependent on any single source of funding.

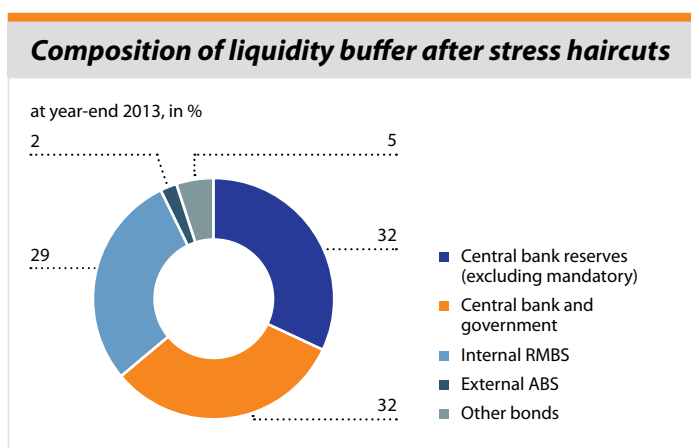
Comfortable liquidity position

The liquidity position remained robust in 2013. Rabobank has developed several methods to measure and manage liquidity risk, including a method for calculating the survival period. This is the period that the liquidity buffer will hold up under extreme market-specific or idiosyncratic stress. In all the internally used scenarios, Rabobank more than satisfies the determined minimum survival period of three months. Moreover, from the perspective of the Dutch Central Bank's guidelines on liquidity, our liquidity position qualifies as comfortable, and our liquidity buffer as sizable. The available liquidity exceeding the requirement by 40% on average.

The liquidity buffer is EUR 121 (157) billion. The decrease (in absolute terms) is a consequence of a deliberate reduction in professional funding, particularly in the first half of the year, as a result of which a lower buffer is appropriate. The position, measured in terms of the LCR and NSFR for instance, remains comfortably above the (future) limits.

Liquidity buffer, after DNB stress haircuts		
<i>in billions of euro's</i>	31-Dec-13	31-Dec-12
Central bank reserves (excluding mandatory)	38.7	63.3
Bonds:		
Centrale bank and government:*	39.0	44.5
Netherlands	16.8	17.4
France	4.9	4.7
Germany	3.4	4.1
Other	13.8	18.3
Covered bonds	0.3	0.6
External ABS	3.0	4.4
Retained RMBS	34.6	36.5
Other bonds	5.8	7.4
Liquidity buffer	121.3	156.6

* In this table central bank and government bonds is a basket of central bank and government securities including public sector entities and multilateral development banks.



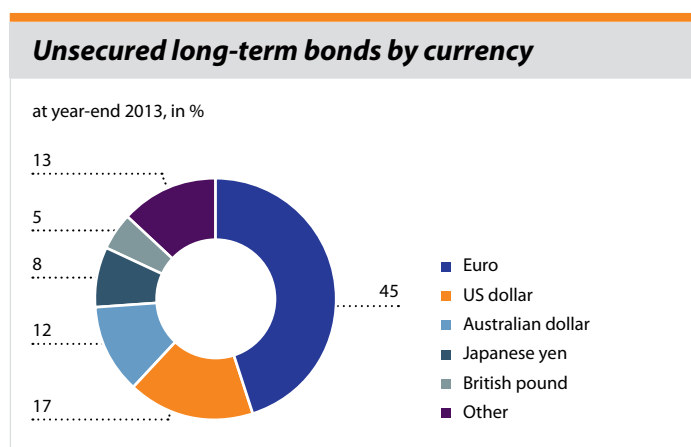
Of the liquidity buffer, 32% consists of central bank credit balances, held mainly at the ECB and FED, 32% of government debt securities and 36% of other financial assets, mainly securities held by Rabobank itself for liquidity purposes with residential mortgages provided by Rabobank as collateral. In addition to this liquidity buffer, there is a significant portfolio of short-term (covered) loans to professional parties.

Access to funding		
<i>in millions of euros</i>	31 December 2013	31 December 2012
Funds entrusted Rabobank Group	329,400	334,271
Netherlands retail	215,277	214,542
- Private customers	138,220	138,410
- Businesses	77,057	76,133
Netherlands non-retail	46,543	52,435
- Private customers	10	12
- Businesses	46,533	52,423
International*	67,580	67,294
- Private customers <i>of which BGZ</i>	26,374 -	25,421 3,855
- Businesses <i>of which BGZ</i>	41,206 -	41,873 2,741
Wholesale funding	219,351	252,777
Funding CD/CP/ABCP		
- CD	42,796	40,400
- CP/ABCP	11,620	21,076
Total short-term funding	54,416	61,476
Wholesale funding: other	164,935	191,301
- Of which subordinated	7,815	5,407

* Of the total international funds entrusted, EUR 29.1 (23.6) billion is attributable to International Direct Retail Banking activities.

EDTF recommendation 21

The lending to the retail banking business is to a large extent funded by retail customers' credit balances. In 2013, the growth of funds entrusted by customers outpaced that of lending in retail banking. This contributed to a reduction of the dependence on wholesale funding. The average maturity of the newly issued funding portfolio is over 4.5 years.

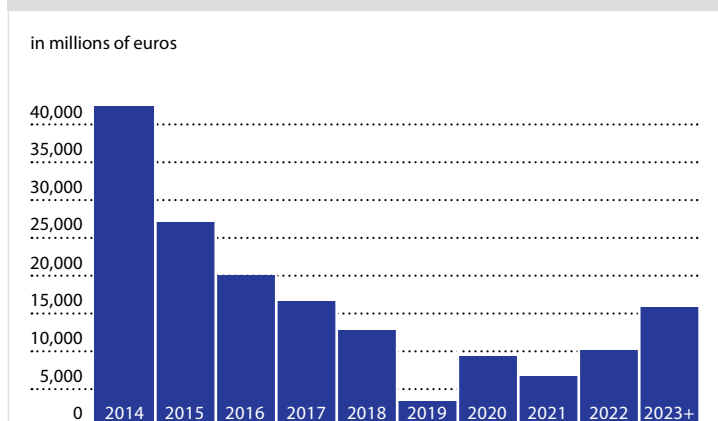


In 2013, Rabobank Group managed to issue EUR 20 billion in unsecured long-term bonds in fifteen different currencies in 2013. By operating on a global scale in this regard, the bank avoids becoming too reliant on a single source of funding. The average maturity of the newly issued unsecured long-term bonds is over 4.5 years.

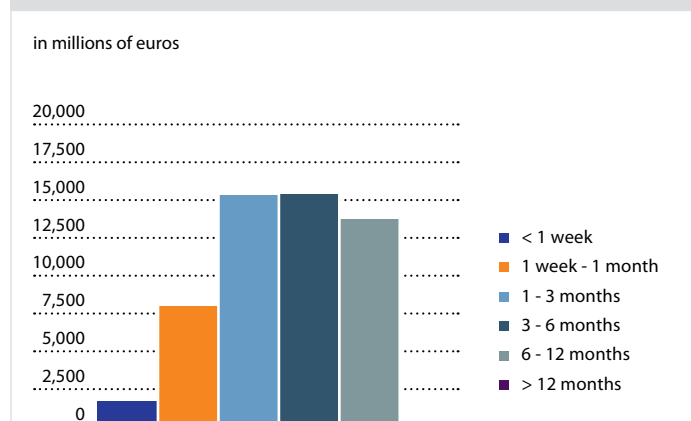
Of the total portfolio of issued debt, excluding commercial paper and certificates of deposit, more than EUR 70 billion matures in or after 2017.

Rabobank is a frequent and flexible issuer of short-term debt securities and has seen a solid inflow of funds in the past few years, reflecting its excellent creditworthiness. The volume of short-term funding was deliberately reduced in the past year. This was achieved by means such as discontinuing the Atlantis programme and is in line with the funding strategy to reduce the dependence on the wholesale funding market. The maturity and quality of the short-term debt were also improved in line with this strategy. The average maturity of the CD/CPs rose to 122 (90) days in 2013.

Maturity date calendar, long-term wholesale funding



Maturity date calendar, short-term wholesale funding



Investor relations

Rabobank attaches great importance to high-quality, transparent communication with institutional investors and other financiers and providers of capital, and rating agencies. The Investor Relations department is responsible for supplying and explaining all relevant information requested by investors and so to contribute to raising the required funding for Rabobank Group. On a global level, institutional investors and other funding and capital providers are informed of financial developments at Rabobank Group. In addition, institutional investors and providers of capital are informed of developments within Rabobank Group via the [corporate website](#). Activities in this area were stepped up over the past few years because today, more than ever before, investors want to be certain that Rabobank continues to have a low risk profile.

Market risk

Market risk relates to changes in the value of the trading portfolio caused by movements in market prices affecting interest rates, equities, credit spreads, currencies and commodities, among other things. Market risk arises from the bank's trading activities, which are undertaken for clients or the bank's own balance sheet management by Global Financial Markets and Treasury Rabobank Group. Market risk in the trading environment is monitored daily within the market risk framework. Structural market risks in the banking environment are monitored within a separate risk framework, as described in the chapters on interest rate risks and currency risks.

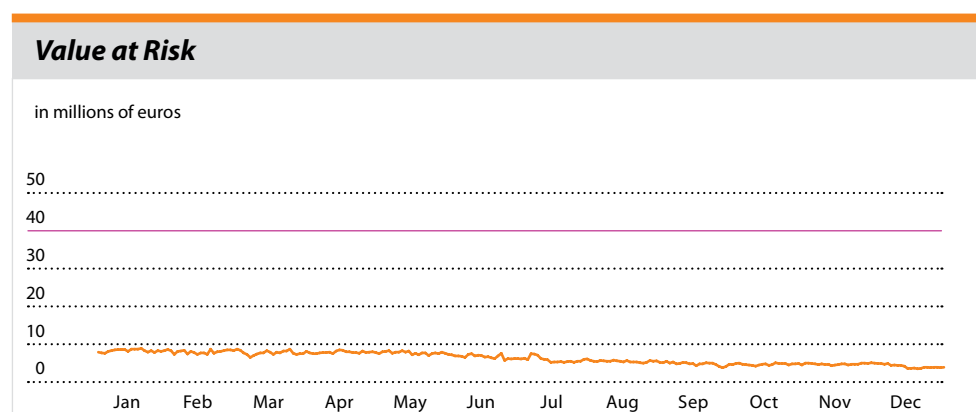
EDTF recommendation 22

Market risk by group entity

In millions of euros	VaR
Global Financial Markets	3.5
Treasury Rabobank Group	0.9
Other	0.2
Diversification	-0.6
Total	3.9

An appropriate system of limits has been developed to manage market risk. The Executive Board determines Rabobank Group's risk appetite and the related limits on an annual basis. These limits are then transposed into limits at book level and monitored on a daily basis by the market risk departments. At a consolidated level, market risk is measured using Value at Risk (VaR) and event risk. VaR, which is based on historical market developments for one year, indicates the maximum loss that Rabobank Group can suffer, subject to a specific confidence level, under 'normal' market conditions. In order to weigh the risk of 'abnormal' market conditions too, the effects of certain extreme events are also measured (event risks). To this end, historical scenarios as well as hypothetical scenarios are analysed. Sensitivity analyses are also used.

In 2013, the VaR fluctuated between a minimum of EUR 3.5 million and a maximum of EUR 8.9 million, the average being EUR 6.4 million. During the reporting year, this figure stayed well within the set limit, which was EUR 40 million. This means that losses on any single day in 2013 can be expected not to exceed a maximum of EUR 8.9 million on the basis of historical market movements, subject to a confidence level of 97.5%. Under this method, Value at Risk is calculated on the basis of historical market trends and the positions taken.



The VaR can be also broken down into a number of risk components, the most important of which are changes in interest rates and credit spreads. Opposite positions in different books offset each other to a certain degree, resulting in a diversification benefit and reducing the total risk. At year-end 2013, the consolidated VaR was EUR 3.9 (7.6) million. The decrease in the VaR compared to 2012 was due to a reduction of the equity derivatives portfolio and a more stable interest rate environment, as well as other factors.

Breakdown of Value at Risk

in millions of euros	31-Dec-2013
Credit spread	1.7
Currency	0.6
Equities	0.7
Interest rates	3.6
Commodities	0.3
Diversification	-3.0
Total	3.9

Besides the VaR, other risk indicators are also important for measuring market risk. The basis point value, for instance, 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. The basis point value table below shows these positions for each key currency.

Basis point sensitivity	
<i>In millions of euros</i>	31-Dec-2013
Euro	0.6
US dollar	1.1
Australian dollar	-0.1
Other	-0.1
Total	1.5

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

Currency risk

Currency risk is the risk of changes in income or equity as a result of currency exchange rate movements. In currency risk management, a distinction is made between positions in trading books and positions in banking books. In the trading books, currency risk is part of market risk and is controlled using Value at Risk and other limits, as are other market risks. Value at risk for currency risk in the trading books stood at EUR 0.6 (0.8) million at 31 December 2013. In the banking books, the only risk is translation risk related to non-euro net investments in foreign entities and hybrid capital instruments that are not denominated in euros. To monitor and manage the translation risk, Rabobank Group uses a dual-track approach to protect its capital position. The hedge strategy is used to cover the risk associated with non-euro net investments in foreign entities while protecting the capital ratios against the effects of currency exchange rate movements wherever possible.

Operational risk

Rabobank defines operational risk as the risk of losses caused by inadequate or failing internal processes, people or systems or by external events. In assessing and addressing operational risk, allowance is made also for potential legal and reputational risks. Rabobank Group operates within the frameworks of the Basel II Advanced Measurement Approach as regards measuring and managing operational risk.

The operational risk policy is based on the principle that the primary responsibility for managing operational risk rests with the group entities and should be part and parcel of the strategic and day-to-day decision-making process. The objective of operational risk management is to identify, measure, mitigate and monitor operational risk. Risk quantification helps the management in charge to set priorities in their actions and to allocate people and resources.

To implement this, Rabobank uses the three-lines-of-defence model. The group entities are the first line of defence and bear full responsibility for daily risk acceptance and comprehensive risk management and risk mitigation within the set risk appetite. The second line of defence is formed by the risk management functions at entity level and Group Risk Management.

EDTF recommendation 31 and 32

The group entities' risk management functions advise on risks and challenge the first line of defence on how to manage risks at the entity level. Group Risk Management is responsible for the group-wide risk policy and challenging the group entities and local risk management functions on their risk management. The internal audit functions at group and entity level make up the third line of defence.

The Operational Risk Committee is responsible for defining operational risk policy and its parameters at group level. In addition, Group Risk Management reports on developments in group-wide operational risks once every quarter. Within the group entities, risk management committees have been established to identify, manage and monitor, among other things, the operational risks, including system continuity and fraud risks, of the relevant entity. Furthermore, product approval committees have been established at various levels within the bank. These committees provide an additional safeguard for the quality of new product and process launches, and changes in existing products and processes, with a focus on the duty of care.

The group entities perform a Risk Control Self-Assessment. In doing so, they identify key operational risks and mitigating measures if the risks are outside the risk appetite. This process is facilitated by Group Risk Management and the outcome is fed back at group level to the Operational Risk Committee. In addition, Group Risk Management annually coordinates scenario analyses with senior managers throughout Rabobank Group to provide an understanding of the Group's risk profile.

EDTF

In October 2012 the Enhanced Disclosure Task Force (EDTF), established by the Financial Stability Board (FSB), presented its recommendations. The recommendations are aimed at improving the transparency of reporting by banks. Rabobank embraces the EDTF principles except where the disclosure is to be classified as proprietary or if the disclosure is not relevant for Rabobank. Annex II contains an overview of the 32 recommendations of the EDTF. This overview also includes a reference to the page in the document in which the recommendation is discussed. This will be the Annual Report 2013, the Consolidated Financial Statements 2013 or the Capital Adequacy and Risk Management Report 2013.

Our specialist subsidiaries

Leasing

www.delagelanden.com

Improved earnings with portfolio growth

The lease portfolio of De Lage Landen increased by 2% to EUR 30.2 billion in 2013. The share of food and agri rose by 1 percentage point to 30%. The Dutch lease portfolio amounted to EUR 6.1 billion. Bad debt costs remained limited to 59 basis points of average lending, and were thus 9 basis points below the long-term average of 68 basis points. The increase was restricted by means of strict risk management and the diversification of the lease portfolio across countries and sectors. The increase in interest income matched the growth of the portfolio. In combination with lower costs, the net profit of the leasing segment rose by EUR 55 million to EUR 422 million.

Strategy: OneDLL

The activities of De Lage Landen support the group strategy of offering a broad range of financial services in the Netherlands. De Lage Landen will also strive to increase the share of food and agri in its lease portfolio. Partly for reasons of diversification, De Lage Landen will also focus on other sectors, such as Healthcare & CleanTech, Construction, Transportation & Industry and Office Technology. For De Lage Landen, 2013 was a year of heavy investment in the foundation of the organisation: the staff. De Lage Landen has undergone rapid growth in a short time; its workforce has doubled to more than 5,100 in seven years. De Lage Landen added India and Turkey to the countries in which it operates, which rose to 36 in 2013. This global growth was partly the reason for the introduction of the OneDLL programme. The intention of OneDLL is to encourage global teamwork between employees, so that employees of De Lage Landen anywhere in the world can respond quickly and effectively to local conditions affecting demand for lease products via knowledge transfer. Several HR programmes have been launched with the aim of developing individual strengths. These programmes will strengthen the organisation and the partnerships with its customers.

In order to meet local customer demand more effectively as an international organisation, De Lage Landen has adopted a matrix structure. This distinguishes the regions of the Americas and Europe-Asia Pacific and separates its sales organisation into the business units Construction, Transportation & Industry, Food & Agriculture, Healthcare & CleanTech, Office Technology and Mobility Solutions. De Lage Landen offers services in the areas of Vendor Finance, (Car) Leasing, Factoring and Consumer Finance.

Vendor Finance

Vendor Finance forms the heart of De Lage Landen's international operations and helps manufacturers and distributors to sell their products and services. Vendor Finance forges alliances in specific sectors in the lease market. It builds long-term relationships with customers and explores which financial solutions can be offered to provide the best support for partners and for end users in achieving their business objectives.

Knowledge of the market is cardinal to the potential solutions offered by De Lage Landen. In addition, De Lage Landen stands out from its competitors because it offers integrated asset management services. Besides defining the value of an asset over its useful life, this discipline also identifies its use. It then provides advice on its proper deployment and on the options for financing maintenance and spare parts. Leases are increasingly being combined with service contracts for leased products, with De Lage Landen settling all financial movements related to the contracts.

Partnerships

De Lage Landen again managed to increase the number of contracts with existing Vendor Finance-partners in 2013 and to enter into partnerships with new customers. Within the business unit Construction, Transportation & Industry a worldwide partnership agreement was signed with Wacker Neuson – one of the world’s largest manufacturers of construction equipment, engineering technology and compact construction machines – to offer financing solutions to customers of Wacker Neuson. Customers use them because these solutions enable them to use working capital more efficiently. Sector knowledge and worldwide coverage were decisive factors in Wacker Neuson’s selection of De Lage Landen. This sector knowledge and worldwide coverage led to a partnership agreement with DeLaval in the business unit Food & Agriculture and an expansion of activities into China. DeLaval manufactures automation systems for dairy farming businesses.

Partnership Engagement Survey

De Lage Landen carries out satisfaction surveys worldwide to ascertain the best ways for it to offer added value to its partners. In 2013, this survey was performed in thirty countries for the Vendor Finance activities. At 22%, or over 6,000 customers, the response was good, and an indication of their significant involvement. The results showed that almost 80% of the customers of De Lage Landen are satisfied or highly satisfied with the relationship with De Lage Landen. Customers stated that they particularly value the relationship, owing to the mutual trust, knowledge and support by account management and the industry expertise offered by De Lage Landen. This was also reflected in an improved overall net promoter score, which at 21% is above the sector average.

(Car) leasing and factoring in the Netherlands

The leasing activities of De Lage Landen in the Netherlands are offered via the local Rabobanks, via www.leaseloket.nl or directly via De Lage Landen. Besides leasing solutions, De Lage Landen also offers factoring services in its home market. Factoring enables customers to free up additional working capital from their debtor portfolio to finance growth or strengthen their financial position. The subsidiary Athlon Car Lease is the market leader in the Netherlands in the field of car leasing, with a car fleet of some 120,000 cars. It also has operations in nine other European countries. In 2013, Sweden was added to the international markets in which Athlon Car Lease operates. In total, Athlon Car Lease has a lease portfolio of around 230,000 (231,000) contracts.

Consumer financing

Besides financial solutions for the business market, De Lage Landen also offers consumer financing. It is active in the consumer financing market with the brands Rabobank, Freo and Athlon Auto Financiering. De Lage Landen Consumer Finance supports Rabobank centrally and locally in marketing consumer credit. Freo is the online provider of consumer credit and stands for responsible, fair and conscientious lending. Athlon Auto Financiering is a cooperation between Athlon Car Lease and the Dutch automobile association ANWB and offers mobility services on credit to consumers. The volume of the overall consumer credit portfolio remained stable in 2013 at EUR 1.4 (1.4) billion.

Sustainability

Sustainable solutions

DLL has structurally enhanced its sustainable leasing services for circular business models by investing in a dedicated Life Cycle Asset Management (LCAM) team. This team actively supported several manufacturing partners in managing assets during their first and second life. Furthermore the team proactively provided consultancy services, seminars and workshops to inspire both partners as well as external communities. An example of such a case from 2013 is the partnership with Desso, an international manufacturer of carpets, carpet tiles and other products. Desso's customers are offered a full-service lease solution. Customers who chose this option will no longer become the owner of the product, but rather purchase a service from the producer who will take care of installation and maintenance. At the end of the lifespan the products are retaken again; it is then possible to recycle these resulting in less dependency on natural resources.

The Clean Tech business had a record year in financing new projects increasing its portfolio to the highest levels since the business's inception. Renewable energy financing was dominated by solar and wind financing while LED lighting retrofits was the predominant technology in the energy efficiency sector. Much progress was made with new technologies in energy efficiency, water filtration and other renewable sources. Geographically, the business expanded into a number of new European countries.

In 2013 Athlon Car Lease went live with Tesla Lease and 286 Tesla's were ordered by customers. In total Athlon has more than 5,200 cars with alternative drivetrains, like electric vehicles and hybrids, in contract. To motivate customers to drive safe and responsibly in everyday traffic, Athlon offers an e-driver tool. The Mobility Card is another product of Athlon that offers customers one single solution to travel combining services like payment for petrol, public transport, flights and hotels.

Athlon Mobility Consultancy expanded their activities, in addition to Benelux, also to France. Approximately 75 companies were supported with the implementation of a sustainable mobility policy and new products and services are offered such as the Athlon Sustainable Mobility Index and a Driver Risk Management Program. Also several implementations were accomplished with the mobility management system Momas.

Asset Sharing is an initiative that explores the B2B sharing economy as one of the future business opportunities for DLL. Together with local Rabobank entrepreneurs are selected to participate in a pilot focusing on the actual sharing of assets.

Responsible business operations

In 2013 DLL started the development of their own overall Environmental, Social and Governance (ESG) Policy in order to further improve the assessment and due diligence approach of ESG issues. DLL has also improved the armaments policy framework, updating its commitment to refrain from business involving controversial weapons manufacturers.

DLL's US office in Wayne was awarded the LEED Gold Certification for existing buildings. LEED stands for Leadership in Energy and Environmental Design and provides third-party verification of green buildings. Together with last year's BREEAM certificate of the headquarters, DLL's two biggest offices are green certified buildings covering about 40% of all FTE. In line with the sustainability criteria of the global real estate policy also the offices in Germany, France and Belgium will move to sustainable certified buildings.

Lastly, Athlon achieved an official carbon footprint in the Netherlands which is, together with carbon reducing initiatives, important sustainability information in tenders.

Societal impact

At the end of 2013 a global charitable donations policy was approved. This policy provides principles for donations in order to ensure transparency and a positive impact of DLL's donations on local communities in which DLL operates. This year DLL and her employees provided over EUR 600,000 to local charitable causes.

DLL also implemented in all main markets the global Community Involvement program based on a number of themes that are closely aligned with the core business. This year a 20% employee participation in community involvement activities was reached in main markets, contributing to an improvement in educational and living conditions of many people. This impact will be better measured in 2014, with our renewed monitoring on the Social Return on Investment that has been developed Q4 2013. According to an internal survey, this program also highly contributes to engage staff and foster pride for the organisation. In the Netherlands, DLL partnered with the Eindhoven municipal government to organize on a structural basis Corporate Responsibility 'matchmaking' events which proved successful in establishing greater community involvement partnerships between social charities and businesses in the Eindhoven region. In partnership with the Rabobank Foundation, DLL provided technical assistance to four micro finance institutions in the development of microleasing in Rwanda. Learnings from this experience are captured in the White paper 'Recipe for Success. Favourable conditions for micro-leasing in Rwanda'.

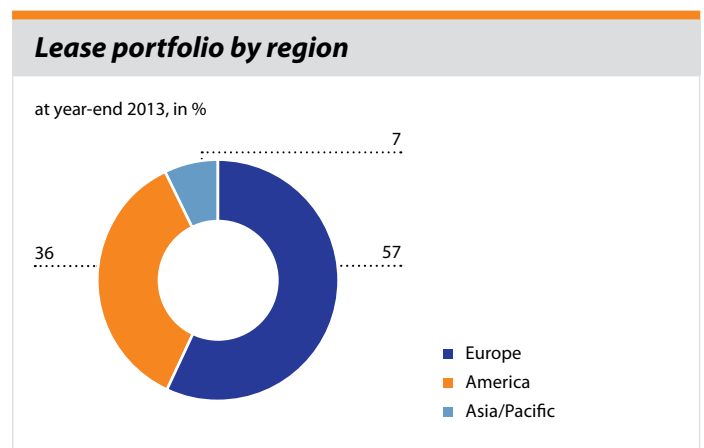
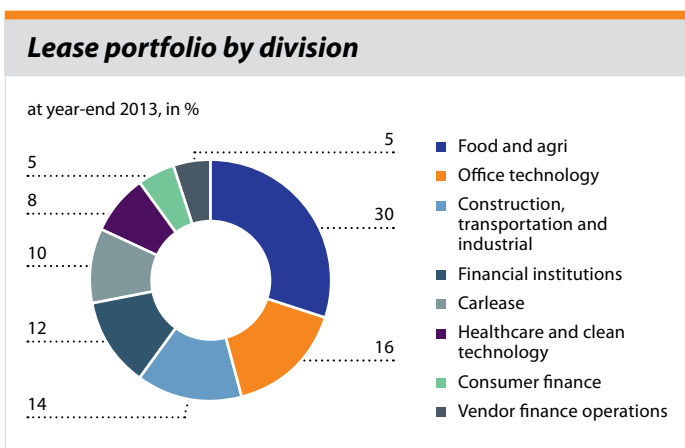
External recognition

At the international Leasing Life Awards, DLL won awards for the fourth time in four consecutive years. This time DLL was awarded the prestigious title of European Lessor of the Year. The Product Innovation & Service Award was also granted to DLL for the further development of LCAM and the progress the program makes in facilitating cradle-to-cradle business models.

Athlon Car Lease in the Netherlands was awarded Best Leasing Company in the category Big Leasing Companies in a survey held by the Dutch Company Car Association.

Lease portfolio up 2%

The De Lage Landen lease portfolio rose 2% to EUR 30.2 (29.6) billion in 2013, and its loan portfolio (which is the lease portfolio excluding operational lease) amounted to EUR 24.7 (24.9) billion in lending to the private sector. Growth of the activities was mainly realised in the food and agri sector in 2013. This can be seen in the composition of the lease portfolio, with further expansion of the share of food and agri to EUR 9.1 (8.6) billion. This brings the proportion of food and agri to 30% (29%) of the total lease portfolio. Due to the continuing poor economic conditions in the Netherlands, the Dutch lease portfolio declined to EUR 6.1 (6.3) billion, accounting for 20% (21%) of the total lease portfolio at year end.



Financial results of leasing

Results			
<i>in millions of euros</i>	2013	2012	Change
Interest	973	952	2%
Commission	52	63	-17%
Other results	545	442	23%
Total income	1,570	1,457	8%
Staff costs	517	526	-2%
Other administrative expenses	198	223	-11%
Depreciation	49	47	4%
Operating expenses	764	796	-4%
Gross result	806	661	22%
Value adjustments	170	147	16%
Bank tax expense	9	9	
Operating profit before taxation	627	505	24%
Taxation	205	138	49%
Net profit	422	367	15%
Bad debt costs (in basis points)	59	53	11%
Ratios			
Efficiency ratio	48.7%	54.6%	
RAROC	30.6%	27.6%	
Balance sheet (in billions of euros)	31-Dec-13	31-Dec-12	
Lease portfolio	30.2	29.6	2%
Capital requirements (in billions of euros)			
Regulatory capital	1.3	1.3	
Economic capital	1.4	1.3	8%
Number of employees (in FTEs)	5,117	5,117	

Notes to financial results of leasing

Income up 8%

Total income from the leasing segment rose 8% to EUR 1,570 (1,457) million in 2013. Growth of the average lease portfolio contributed to the 2% increase in interest income to EUR 973 (952) million. Commission income fell by EUR 11 million to EUR 52 (63) million, due to a change in presentation of amounts received. Residual value gains on sales of leased products rose in comparison to 2012. This contributed to the 23% rise in other income to EUR 545 (442) million.

Operating expenses down 4%

De Lage Landen's total operating expenses fell by EUR 32 million to EUR 764 (796) million in the reporting year. The staff complement remained unchanged at 5,117 (5,117) FTE. Due in part to the depreciation of several foreign currencies, staff costs fell by EUR 9 million to EUR 517 (526) million. The Action project was launched in 2012, with the aim of reducing costs and increasing organisational efficiency. The effects of this were visible in 2013, in the form of the 11% decline in other administrative expenses to EUR 198 (223) million. Depreciation and amortisation charges rose to EUR 49 (47) million, mainly due to higher depreciation of inventory.

Bad debt costs at 59 basis points

Value adjustments at De Lage Landen came to EUR 170 (147) million, which corresponds to 59 (53) basis points of average lending and were thus lower than the long-term average of 68 basis points. The diversification of the lease portfolio across countries and sectors in combination with strict risk management contributed to the relatively limited increase in bad debt costs.

Regulatory capital unchanged

The regulatory capital of De Lage Landen was virtually unchanged in 2013 at EUR 1.3 (1.3) billion. The economic capital increased slightly to EUR 1.4 (1.3) billion.

Outlook for leasing

De Lage Landen will continue its current strategy of prioritising investment in relationships with its partners. The results of the Partnership Engagement Survey will be used in 2014 to be able to add further value for our customers. De Lage Landen will continue to invest in new business models, in combination with developments such as the circular economy and the shift from the ownership of assets to the use of assets. These new business models will lead to a profitable and sustainable partnership for both parties in the short and long term. Current forecasts indicate that the result of the leasing segment in 2014 will be in line with that achieved in 2013.

Our specialist subsidiaries

Real estate

www.rabovastgoedgroep.nl

Still no recovery in the Netherlands; heavy decline in the result

The Dutch property market was still in poor condition in 2013. In the course of the year, it became clear that a market recovery, especially in the Dutch property markets, would take longer than originally expected. This was shown by heavy impairments on land holdings, revaluations of land operations at Bouwfonds Property Development and the large increase in value adjustments to receivables at the property financier FGH Bank. The net result of Rabo Real Estate Group fell from a loss of EUR 113 million in 2012 to a loss of EUR 817 million in 2013. The focus was on risk management and management of the loan portfolio, and there was also much attention devoted to cost reduction. The Collective Labour Agreement was tightened, and no variable remuneration will be paid. It was also decided to phase out the commercial property development activities of MAB Development. Bouwfonds Property Development realised a total of 5,169 housing transactions, a decline of 18% compared to 2012. Housing transactions were down especially in the Netherlands, and to a lesser extent in France. By comparison the market in Germany was positive, even though here too there was a slight fall in the number of housing transactions. Bouwfonds Property Development suffered a heavy loss as a result of revaluations and impairments. The loan portfolio of FGH Bank was more or less unchanged at EUR 19.4 billion. Bad debt costs amounted to 278 basis points of average lending, putting FGH Bank in the red. Several funds of Bouwfonds Investment Management were expanded and a few new funds were launched in the market, increasing assets under management by EUR 0.4 billion to EUR 5.9 billion. The year closed with a positive result.

Strategy for Rabo Real Estate Group

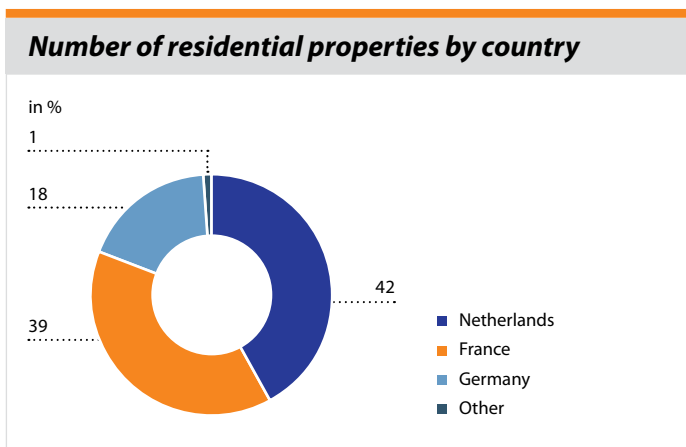
Rabo Real Estate Group is Rabobank Group's centre of expertise in real estate, and operates in property and area development, property finance, investment management and community fund management. Rabo Real Estate Group is one of the largest real estate companies in Europe and strives to achieve a healthy balance between the social, economic and ecological effects of its operations. Its ambition is to rank amongst the most sustainable companies in the real estate sector. Rabo Real Estate Group's mission is to help clients achieve their ambitions for living, working, shopping and leisure. Its activities are carried out by:

- Bouwfonds Property Development - realises comprehensive residential areas;
- MAB Development - commercial property developer;
- FGH Bank - specialist in property finance;
- Bouwfonds Investment Management - real estate fund manager;
- Fondsenbeheer Nederland - independent manager of community funds with the aim of increasing the quality of the living environment.

The Dutch housing market

Rabo Real Estate Group has had to contend with very difficult market conditions for several years now. The recession in the Netherlands, which continued until the summer of 2013, adversely affected the real estate market. Consumers were hit by rising unemployment and falling purchasing power, investments by business and industry were down and exports slowed. Few existing homes were sold and new-build activities slowed. The economy has picked up slightly since the fourth quarter of 2013. The Dutch housing market appears to have bottomed out and the affordability of housing has improved. The recovery is still subdued however because many homeowners are failing to move up the housing ladder, as their mortgages are higher than the value of their property. Moreover the borrowing capacity of first-time buyers in the housing market has been curtailed by tighter regulations. Overall, these developments did not yet lead to a significant improvement of market conditions, and 2013 was therefore a very challenging year for Rabo Real Estate Group.

The prices of owner-occupied housing in the Netherlands have fallen by around 20% on average in the past five years. The government has carried out reforms designed to revitalise the housing market over time; as of 1 January 2013 new mortgages are required to be repaid in full within 30 years to be eligible for mortgage interest relief. This entails higher monthly housing expenses and a lower borrowing capacity for customers for new mortgages. This depressed prices in the near term, especially in the market for first-time buyers. But the longer-term outlook has been improved by these measures. The price decreases benefit the affordability of existing owner-occupied housing, as do the low mortgage interest rates and the lower transfer tax. Transaction numbers increased in the second half of 2013 and the residential property price decreases are expected to end in the course of 2014.

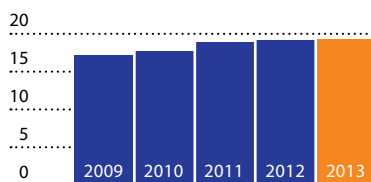


Bouwfonds Property Development

Bouwfonds Property Development, which operates as Bouwfonds Ontwikkeling in the Netherlands, develops complete residential areas in the Netherlands, France and Germany. The regional branches of Bouwfonds Ontwikkeling collaborate with Rabobank Nederland and the local Rabobanks in the sale of new-build developments, area development or rejuvenation, and campaigns to give an impulse to local housing markets. Bouwfonds Ontwikkeling carried out only 2,160 (2,739) residential property transactions in the Netherlands in 2013, which can be considered a historical low. This led to an adjustment of future prospects for residential property developments, and entailed significant write-downs on strategic land holdings and substantial revaluations of land operations. The French market for investment rental property has deteriorated, and the number of transactions has fallen as a result. The German housing market remained strong, but even so the number of residential property transactions fell by 7% as fewer contracts were won. Bouwfonds Property Development sold a total of 5,169 (6,312) residential properties in 2013.

Loan portfolio of FGH Bank

in billions of euros



FGH Bank

FGH Bank is a commercial real estate financier. It focuses on funding office space, retail space, business premises and property investments, particularly in the Netherlands. Besides investments in commercial real estate FGH Bank also finances new-build, renovation and transformation projects. The bank serves local property markets from eight regional branches across the country. FGH Bank works closely with the local Rabobanks in the areas of housing production, valuations and relationship management. It is also aiming to intensify its cooperation with other group entities,

for instance for the integration of the Friesland Bank portfolio, the valuation process at local Rabobanks, managing real estate investments with local Rabobanks and the overall coordination for real estate financing contracted within Rabobank Group. In 2013, FGH Bank's loan portfolio remained roughly unchanged at EUR 19.4 (19.2) billion.

Increase in assets managed by Bouwfonds Investment Management

Bouwfonds Investment Management focuses on investment products in the sectors commercial real estate, residential properties, multi-storey car parks, communications infrastructure, and agriculture and farms. In 2013 Bouwfonds Investment Management placed two new funds with institutional investors: the Bouwfonds European Student Housing Fund and the Bouwfonds European Parking Fund II. Additionally, Bouwfonds European Residential Fund expanded its portfolio to some EUR 650 million by purchases of apartment complexes in the Netherlands, Germany and Denmark, and Rabo Bouwfonds Communication Infrastructure Fund and Rabo Farm Europe Fund likewise expanded their portfolios by new acquisitions, to respectively EUR 630 million and EUR 215 million. Total assets managed by Bouwfonds Investment Management rose to EUR 5.9 (5.5) billion in 2013.

MAB Development

MAB Development focuses on developing new commercial properties and on transforming existing commercial real estate in prime city-centre locations. MAB's developments are usually mixed-use with a particular emphasis on retail. The market for commercial real estate has changed fundamentally in the past few years. The earnings model has been called into question due to systematic changes in demand and supply, limitations of available funding and investment capital and a changed competitive playing field. Moreover the risk profile of MAB Development in this market is relatively high for Rabo Real Estate Group in relation to returns, while the outlook is not promising. It was therefore decided to phase down the project development activities for commercial real estate. No new projects are being initiated. In 2013, the largest multifunctional building of the Netherlands was completed: De Rotterdam. The building with aggregate floor space of 160,000 m² comprises offices, a hotel, and residential as well as commercial properties. This project was completed and transferred to the future users within four years after building commenced. Over 85% of the building has now been let or sold.

Sustainability

Rabo Real Estate Group aims to become one of the most sustainable real estate companies. Rabo Real Estate Group applies four policy principles to achieve this: (I) sustainable real estate, (II) ethical business practices, (III) responsible business operations and (IV) community involvement.

The policy principles have been distilled into five themes: energy consumption, mobility, employees and leadership, vital communities and the circular economy. Goals have been defined for each theme, including a 10% decrease in energy consumption per FTE by 31 December 2015 versus 2013, and a cap on lease cars' maximum CO₂ emissions, which is reduced annually. Housing construction complies with government requirements, and in addition energy-neutral residential properties are developed.

Employees of Rabo Real Estate Group

For the employees of Rabo Real Estate Group, 2013 was another eventful year. The reasons included the reduction of the activities of MAB Development, the poorer financial results due to the continued headwinds in the sector, the cost savings and the increasing legislation and regulation. Despite the financial headwinds, Rabo Real Estate Group continues to invest in its employees, as reflected, for instance, in the culture and leadership programme launched in 2012. The employee satisfaction survey conducted in early 2013 resulted in a good score of 7.7. A request for advice was submitted to the Group Works Council of Rabo Real Estate for downsizing the workforce of MAB Development, on which the Group Works Council issued a favourable advice. In November 2013, a new, scaled back Collective Labour Agreement was concluded for the period to the end of 2015. Zero increases have been agreed in this Collective Labour Agreement for salary growth, meaning that the salary maximums of the salary scales will not be increased until 1 January 2016. In addition, variable remuneration will only be paid if Rabo Real Estate Group as a whole is profitable. This provides a closer alignment of the Collective Labour Agreement with the financial results of Rabo Real Estate Group.

Integrity is a key theme in the real estate market. Rabo Real Estate Group has solidly embedded its policy in the organisation. The Compliance department provides dilemma training and e-learning programmes to anchor that policy even more firmly in the organisation.

Fondsenbeheer Nederland

Fondsenbeheer Nederland is an independent not-for-profit organisation that invests in the quality of the physical environment by supporting various community funds, which provide financial and other support to social goals ranging from public housing to nature conservation projects and conservation of cultural and industrial heritage. The National Restoration Fund provides financing to support owners of listed buildings and advice on restoring and maintaining their property. The public housing fund Stimuleringsfonds Volkshuisvesting (SVn) is active in the field of housing, local communities and urban regeneration. Together with the Dutch municipalities, SVn developed the First-time Buyers' Loan to make it easier for first-time buyers to acquire suitable residential properties.

Financial results of real estate

Results			
<i>in millions of euros</i>	2013	2012	Change
Interest	322	311	4%
Commission	32	35	-9%
Other results	-589	84	
Total income	-235	430	
Staff costs	195	193	1%
Other administrative expenses	120	89	35%
Depreciation	10	10	
Operating expenses	325	292	11%
Gross result	-560	138	
Value adjustments	513	238	
Operating profit before taxation	-1,073	-100	
Taxation	-249	8	
Result Rabo Real Estate Group*	-824	-108	
Minority interest	-7	5	
Net result Rabo Real Estate Group*	-817	-113	
Other	2	6	
Net result Real estate*	-815	-107	
Bad debt costs (in basis points)	278	124	
Number of houses sold	5,169	6,312	-18%
Other information (in billions of euros)	31-Dec-13	31-Dec-12	
Loan portfolio	19.4	19.2	1%
Assets under management	5.9	5.5	7%
Number of employees (in FTEs)	1,554	1,528	2%

* The items 'Result Rabo Real Estate Group' and 'Net result Rabo Real Estate Group' correspond to the financial results published by Rabo Real Estate Group itself. The item 'Net result real estate' includes the amortisation and financing expenses due to the acquisition of elements of Bouwfonds and differences in accounting policies.

Notes to financial results of real estate

Income down

The total income of Rabo Real Estate Group fell by EUR 665 million to EUR -235 (430) million in 2013. Impairments on land holdings and revaluations of land operations amounted to EUR 567 million, partly due to the postponement of projects. Large impairments were also recognised on commercial real estate holdings. This led to a decline in other results of EUR 673 million to EUR -589 (84) million. Interest income rose 4% due to improved margins on new loans and extensions, to EUR 322 (311) million. The size of the loan portfolio was more or less unchanged. Commissions also remained fairly stable, at EUR 32 (35) million.

Operating expenses rise

Rabo Real Estate Group's total operating expenses rose by EUR 33 million to EUR 325 (292) million in 2013. The increase was mostly due to the formation of a reorganisation provision for the phasing out of the activities of MAB Development. This especially affected other administrative expenses, which rose 35% to EUR 120 (89) million. Due in part to additional staff at FGH Bank and Fondsenbeheer Nederland, the staff complement increased by 26 FTE to 1,554 (1,528) FTE. Staff costs rose slightly as a result, by 1% to EUR 195 (193) million. Depreciation and amortisation remained unchanged at EUR 10 (10) million.

Bad debt costs at 278 basis points

Value adjustments rose again, due to the continuing poor state of the Dutch real estate market in 2013. The increase in value adjustments was concentrated in the commercial real estate sector. Many tenants went bankrupt, there were relatively few businesses looking to relocate and many companies reduced the amount of office space they use. There was also pressure on rents, since tenants have the upper hand in the market. Value adjustments at Rabo Real Estate Group amounted to EUR 513 (238) million. Expressed in terms of basis points of average lending, bad debt costs corresponded to 278 (124) basis points, compared to a long-term average of 49 basis points.

Underlying results and outlook for real estate

In view of the difficult circumstances in the real estate markets, the underlying results were satisfactory. The results in Germany and France, and at Bouwfonds Investment Management, made positive contributions. Unfortunately, the operating results were overwhelmed by the effects of impairments and revaluations of land holdings and operations, and value adjustments. Rabo Real Estate Group believes that a turning point was reached in 2013. Tentative signs of a market recovery were already visible. This could also positively affect the division's future results. Rabo Real Estate Group is therefore confident that an upward trend will begin to take shape. While unfortunately this will probably not deliver the positive results we wish for in the sense of a profitable performance in 2014, the direction is now positive.

Employees

HR in transition

The Rabobank is faced with a 'new reality' and it is up to the employees and managers of the domestic retail banking division to adapt to and integrate the resulting changes into the company. At the same time, our people are themselves also deeply affected by the changes, which were brought about by the financial and economic crises of the past few years, along with changing customer behaviour, slower revenue growth and greater pressure resulting from legislation and regulations. In order to be able to support the bank throughout these changes, an HR Transition Team was established in early 2013 as part of the Vision 2016 programme.

In 2013, this team focused on managing the reduction in the number of employees, subduing employment benefits and reinforcing our company culture, our identity as a cooperative organisation, and the professionalism of our people. Rabobank initiated a large-scale workforce reduction at the local Rabobanks in 2013. Rabobank International will also be an integral part of this process as a result of the recently proposed redesign of Rabobank Nederland.

The change process was established by working closely with a feedback group including representatives of local Rabobanks. The Group Works Council of Member Banks and the Rabobank Nederland Works Council were also closely involved in the HR changes implemented as part of Vision 2016. Employment benefits were subdued across the board in 2013. The section titled 'Remuneration policy' details the new employment benefits policy along with the retrenchment measures implemented.

Culture, attitude and behaviour

Rabobank can only provide the highest-level customer services, treat customers fairly and maintain our competitive edge as a bank if its employees are genuinely involved. After all, they connect the bank, as defined in Rabobank's HR vision report. 'Culture' is defined as the sum total of Rabobank's collective actions and is determined by myriad factors, including the processes, procedures and agreements the employees make with each other. Vision 2016 focuses to a large extent on these processes, procedures and agreements. As part of these efforts, a number of dialogue sessions were held to discuss the desired corporate culture for the organisation. The company decided to launch a culture programme across the bank as a whole in early 2014, whose main focus is the attitude and behaviour that direct its day-to-day actions. The programme is complementary to the transition of Vision 2016 and the CRISP programme currently underway in the international banking division. This latter programme is based on the principles of respect, integrity, sustainability and professionalism: the bank's values as a cooperative organisation. A number of different aspects will be redefined, including the strategy of the international organisation, the organisational structure, and management based on

specific objectives. In addition, a number of workshops will be held devoted to desirable behaviour, and employees are encouraged to engage in debate with one another on individual and team behaviour. The international evaluation policy will likewise be reviewed.

Rabobank will focus both on employee accomplishments and, specifically, on how they go about this. They will subsequently receive proactive feedback.

Investing in employees

The interests of our customers and their changing needs form the basis for the changes that will help us create the bank of the future. Apart from requiring fewer positions and fewer employees, the actual results and competencies Rabobank expects from their people are changing as well. Leadership development has therefore become a key focus.

Treating Customers Fairly integrated into Performance Management

Rabobank expects employees to keep their knowledge and competencies up to date and to continue developing their skills and talent. The Performance Management (PM) review cycle in place at the bank plays a key role in this process. In these reviews, managers and employees set a number of targets together relating to results and competencies for the upcoming calendar year. Their dialogue is aimed at doing the right things the right way, with treating customers fairly serving as the basis for all our customer services.

Professional skills

The new statutory requirements under the Dutch Financial Supervision Act (which took effect on 1 January 2014) set new standards for professional skills in 2013. All consultants operating in areas covered under the Dutch Financial Supervision Act must be in possession of all externally recognised diplomas if they wish to become independent consultants. In order to comply with the new legislation, a 2-year transitional period applies (until 1 January 2016). In 2013, all statutory requirements were translated into requirements for individual positions at the bank, and employees received support in properly preparing for the upcoming qualification. For the advisers employed by the bank, this means that 13,000 employees will be required to obtain around 20,000 diplomas in all. The new requirements are therefore in line with Rabobank's objectives to be the best bank in terms of advice by 2016.

Professionalism

The continuing Professional Education (PE) programme for Local board of directors members and supervisory directors of local Rabobanks has been further expanded in the past year. The emphasis in the range of courses on offer is increasingly on short meetings that focus on current events and in which supervisory directors and Local board of directors members learn to directly apply the knowledge gleaned on a day-to-day basis. In addition, a number of meetings have been held to discuss the background vision and implementation of Vision 2016. This trend will be continued in 2014 with an updated range of continuing PE programmes. Members of the Executive Board and the Supervisory Board of Rabobank Nederland also participated in the various meetings relating to continuing PE.

Leadership

Strong (personal) leadership is required in order to effectively supervise and manage the changes described. At the group level, Rabobank offers development programmes for talented employees, along with a management curriculum. In 2013, a total of 86 employees participated in these talent development programmes, representing local Rabobanks, Rabobank Nederland,

Rabobank International and various subsidiaries. The programme taught participants to develop a personal leadership style that dovetails with Rabobank's identity as a cooperative organisation. A key focus of the management curriculum, which is open to all managers, is leadership during change processes, and process management. A total of 301 managers enrolled in the curriculum altogether. The Rabobank Management Interviews, which were conducted with 198 participants, provide participants with the basic skills they need to properly fulfil their managerial duties at the bank. In addition, 37 new managers attended the 'HR-in-de-lijn' workshop, where they learned about Rabobank's HR policy and management development policy and HR Zelfbediening (the computer platform for HR tasks) and their role in this process. The bank invested heavily in 2013 in developing its professionals – defined as employees who possess considerable knowledge and specialised skills in a particular field. As part of one of these initiatives, a total of 635 professionals gathered together last year for Rabobank's first-ever Professional Community Day. At the event, these professionals learned more about the breadth of the organisation in terms of career opportunities, and the development opportunities available to them. The bank also launched two programmes that allow professionals to develop their personal leadership skills, along with two programmes that provide them with a greater understanding of banking in general and Rabobank banking in particular.

Gender diversity

Rabobank intensified its policy of promoting gender diversity in 2013. The share of women in the upper echelons (salary scale 8 and higher) is substantially lower at the bank than the share of men (with 27.6% female employees in scales 8 and higher). In order to change this situation, the bank has set targets and drafted a programme plan containing concrete actions. The latter are aimed at raising awareness of the importance of diversity and promoting the recruitment, promotion and retention of talented women.

As part of one initiative, women at the executive level organised a series of thirty lunches in 2013, attended by an average of twenty women each. Other initiatives included various 'Stratego for Women' workshops, in which women learn about, and learn to apply, the 'written and unwritten rules of the game'. In addition, the issue has also been raised in various ways in executive and local board of directors meetings. Efforts were also made to promote the recruitment and promotion of female talent. The percentage of female participants in the Corporate Management Trainee Programme increased to nearly 50% (versus 38% in 2012). The Interim Management programme allowed talented management potentials to develop and be promoted to senior positions in a broad yet structured manner. A total of 50% of the participants were female, comfortably exceeding the 40% target. Unfortunately, not all targets were met, although Rabobank did see a slight increase in the number of women from scale 10 upwards up to and including the executive level. In order to maintain this positive trend, Rabobank will continue its gender diversity programme in 2014 and will sign the 'Talent to the Top' Charter.

Disadvantaged job seekers

A project launched at Rabobank Nederland in 2012, designed to offer opportunities to a larger number of disadvantaged job seekers by offering them positions at Rabobank, was continued in 2013. The main objective of the programme is to gather more information on the labour supply among this group. Rabobank has partnered with a number of major employers in the Greater Utrecht Area for this initiative. It works closely with 'De Normaalste Zaak' and the City of Utrecht. A secondary objective is to develop a strategy in partnership with supplier companies which allows the latter to assign a larger number of disadvantaged job seekers to positions at Rabobank.

Tools and policy

Vitality and absenteeism

Employee vitality was a key focus for Rabobank in 2013. In 2013, 67% of employees stated that they 'felt vital'. A total of 73% of employees described themselves as 'engaged'. The average score on the 'employability' scale is 68; the average score on the 'energy during work' scale is 69. A relatively large number of employees were at risk of long-term absence in 2013 due to a high workload and/or work-related stress (a total of 29% of employees experienced an increased workload, while 15% experienced work-related stress). In 2013, 39% (versus 43% in 2012) of employees did not call in sick at all. Of those who did call in sick, 81% had recovered within one week.

The absenteeism rate at Rabobank Group came to 3.46% in 2013 (versus 3.66% in 2012), a 0.2% decline from 2012. This brings the absenteeism rate below the standard of 3.7% set in the Occupational Health & Safety Policy Framework. The most common reasons for absenteeism are psychological issues (48%; versus 45% in 2012) and complaints related to the locomotor system (18%; versus 16% in 2012). In 2013, 7,076 employees – of a total of 31 local Rabobanks and 15 Rabobank Nederland units – completed a questionnaire included in the Working Conditions Survey. This survey is held an average of once every two years and provides specific, clear feedback from employees on how they view their work, the working environment, statutory obligations, inappropriate behaviour in the workplace, work-related stress, and health. The Working Conditions Survey provides the bank or unit with information on the bank's overall 'health'. Employees receive individual feedback, in which they are referred to the information and interventions included on the HR Portal, as well as to the services provided by Health Services Rabobank Group.

Two electronic Rabobank tests are available on the internal HR Portal: the vitality scan and the resilience test. These tests allow employees to measure their personal vitality and resilience. The tests refer employees to the services provided by Rabobank to help improve vitality and resilience.

Health Services Rabobank Group annually evaluates the activities of confidential counsellors, in order to monitor the number and nature of the reports received by these counsellors. In 2013, a total of 70% (2012: 66%) of the confidential counsellors were contacted. They received an average of 3.3 reports each (2012: 2.2). These reports related to an industrial dispute, inappropriate behaviour (bullying, aggression, discrimination and sexual harassment) or an abuse within the organisation.

Strategic Resource Planning

In the past year, the Rabobank Strategic Resource Planning (SRP) system was developed under the supervision of the HR department. SRP involves a process that assists local Rabobanks in comparing the current number of employees and workforce against the desired future number of employees and workforce, and subsequently to build towards the desired situation in a systematic manner. Focusing on both the quality and quantity of employees, SRP represents the first attempt to demonstrate to local Rabobanks in a clear, consistent, synchronised and integrated manner the impact of innovation programmes on employees as well as a comparison with 'best practice banks' and the qualities required from employees in the future. This provides a basis for discussing performance development with individual employees, including plans to achieve this development. The insights provided by SRP help to make an estimate of where the workforce reduction will occur as a result of Vision 2016 and how a bank can facilitate this reduction.

Tools to promote employability

In the year when Vision 2016 was presented, there was an increased focus on employability: the retention of jobs now and in the future, both at Rabobank and beyond. The virtual portal containing career tools invites employees to take charge of this process themselves. The site attracted more than 10,350 visitors in 2013 who took free career tests, and 12,040 tests were completed altogether. Local Rabobanks organised a series of career markets aimed at employability, including stands and workshops. The Professional Community Day featured presentations of the new curriculum and of career opportunities at Rabobank Nederland and Rabobank International.

In addition, there were department meetings aimed at employees aged 50+ and employees who would be affected by reorganisations.

Employees were encouraged to participate in workshops, including the *Onderweg naar Morgen* (The Road to Tomorrow) career-focused series. Employees also participated in the employability programmes *NuAanzet* (for employees aged under 45) and *BlijvendAanzet* (for those over 45). *Connect4U* assigns employees to temporary work experience positions within Rabobank Group. At Rabobank International, *Jobswap* provides employees with the opportunity to swap jobs for one week.

The *Credittafel* (Credit Table) provided employees with opportunities to complete a credit-risk management project or credit risk traineeship within Rabobank Group. Another initiative saw the establishment of regional 'talent tables' in order bring together supply of and demand for talent.

Samen Werkt! and Nieuw Perspectief mobility centres

Rabobank will employ fewer people in 2016, and those people will be employed in different positions than today. Employees who cannot be reassigned within the Rabobank organisation will be closely assisted in finding new jobs. Rabobank feels great responsibility in supporting employees in this process, and indeed job mobility is the main objective of the severance plan (Sociaal plan).

Professional assistance to help employees find new positions and a consistent implementation of the Sociaal plan are two of the main goals of Rabobank's Mobility Centre, *Samen Werkt!* The centre is a partnership between a number of regional mobility centres with flexible teams of migration managers who work closely with two professional external parties. A total of 701 redundant employees have registered with *Samen Werkt!* since its launch in September 2013. Redundant Local board of directors members of local Rabobanks and employees of Rabobank Nederland are assisted by Rabobank Nederland's *Nieuw Perspectief* mobility centre.

Other developments

Disputes Procedure and whistleblower regulation

The objective of the Employment Disputes Procedure is to resolve conflicts by helping the manager and employee concerned reach a solution independently, to the extent possible. The number of disputes reviewed in 2013 was virtually unchanged from 2012: a total of 265 disputes were reviewed (versus 257 in 2012). Of these disputes, 245 were reported in 2013; the other disputes originated in 2012 and continued into 2013. The majority of these disputes pertained to future opportunities relating to employee performance and to organisational changes; the remaining ones related to individual performance, reorganisation, terms of employment or working relationships. The majority of these disputes were resolved through counselling (218). Counselling services were provided in eight cases, while mediation services were provided in 25 cases. In addition, the Employment Disputes Committee delivered a binding ruling in 14 cases.

The new Collective Labour Agreement, which became effective on 1 May 2013, incorporated a Sociaal plan. The disputes relating to redundancy are included in the Disputes Procedure report. The secretariat for the Sociaal Plan Central Appeals Committee was incorporated into the Disputes Procedure; nevertheless, the formal complaints submitted to the Committee were not included in this report. Local Rabobanks and Rabobank Nederland maintain a Regulation on the Internal Reporting of

Malpractice (whistleblower regulation). An external confidential counsellor was appointed under this regulation, to whom employees can report misconduct or irregularities. The regulation is also open to the employees of a number of Rabobank Nederland subsidiaries. Rabo Real Estate Group and De Lage Landen each maintain their own whistleblower regulations, while employees at international branches can use the local whistleblower programmes or the Trusted Persons Network (TPN) provided by KPMG. De Lage Landen is currently in the process of establishing a similar system.

The external confidential counsellor received a total of 15 reports in 2013. Of this number, he referred five for discussion to the Whistleblower Regulation Confidential Committee, three of which are still pending in 2014. Eight employees who submitted reports that turned out not to be relevant under the whistleblower regulation were referred to a different regulation if necessary. In the two other cases, an orientation meeting between the person submitting the report and the external confidential counsellor turned out to be sufficient. Additionally, the external counsellor received four reports through the TPN in 2013, all of which were submitted to the Confidential Committee, Three of these reports are pending and will be further reviewed in 2014.

Virtualisation of HR services

Rabobank's HR department has introduced a virtualisation process within the organisation through which it intends to optimise its services over a 5-year period (2011-2015) by providing 'anywhere, anytime' access to frequently used HR services. Key HR employee and management processes are currently available through Straight Through Processing (STP), which allows users to enter changes more quickly and with greater flexibility. Health Services Rabobank Group implemented a new system for its internal organisation in 2013. In addition, Rabobank also migrated to an integrated management information system, which provides financial, HR and other data-integrated management information. The salary administration system is now compatible with SEPA, the international payments system. Finally, there is now a system in place that makes it easier to manage the details of individual employees. Anticipating implementations scheduled for 2014 and beyond, the bank will be implementing a new Performance Management system that contributes directly to increasing employability due to its integration with potential goals and development goals. Further funds will be invested in STP in early 2014. The first stage of the OneHR project was rolled out in 2013, which means Rabobank now uses the same HR system across 23 countries. The system will be expanded in the coming years with the objective of further global standardisation and optimisation of HR processes.

Remuneration policy

Remuneration is an important part of being an employer of choice. The HR vision report states that 'remuneration is more than just pay', which is to say there are other contributing factors, including a stimulating working environment, the opportunity to assume personal responsibility, develop personal talents and work for an organisation in which you can take pride. When it comes to Rabobank's remuneration policy, the bank pursues its own – relatively moderate – policy in determining the amount of employee pay.

Vision on Remuneration

The basic principles of the remuneration policy are set out in the Vision on Remuneration document. The policy is designed to promote fair and consistent employee compensation, based on an effective job evaluation system where possible. Variable remuneration was discontinued for many employees in 2013 and has been curtailed for those employees who remain eligible. Guaranteed variable remuneration is not permitted, and the allocation of a 'welcome bonus' is authorised only when new employees are hired and then only during the first year of employment, in order to compensate for the discontinuation of the (deferred) variable remuneration they received from their previous employer. The full cycle of risk alignment is implemented in this process.

The annual performance appraisal and remuneration cycle – which includes setting and measuring performance and competency goals – is designed to select the appropriate objectives that both put customer interests first and help ensure Rabobank's long-term continuity and financial strength.

Rabobank maintains its own, relatively moderate position when it comes to setting employee compensation. Nevertheless, Rabobank must retain the capabilities and resources to attract, retain and motivate the right people with the right skills at the right time, and the specific remuneration strategies of individual group entities can help define this process more clearly. Pay levels are regularly tested through an external benchmark. The main criterion of these studies is that, as a rule, payment should not exceed the median of the relevant market for existing activities and roles, based on total reward.

Group Remuneration Policy

The principles and guidelines of the Vision on Remuneration are detailed in the Group Remuneration Policy. This sets out the requirements under external legislation and regulations, including the Dutch Banking Code, the Regulations on Restrained Remuneration Policy (Financial Supervision Act) 2011, the CEBS Guidelines on Remuneration Policies and Practices and the Capital Requirements Directives (CRD III and IV).

The Group Remuneration Policy applies to Rabobank Group as a whole. The management of the individual entities of Rabobank Group is responsible for adopting and implementing a remuneration policy in line with the Vision on Remuneration and the Group Remuneration Policy. The Supervisory Boards subsequently approve the policy and monitor compliance. The remuneration policies for local Rabobanks are set by the Rabobank Nederland Executive Board. The Group Remuneration Policy is in line with our business strategy, our core values, and the desired risk profile of Rabobank Group. It supports solid and effective risk management processes, discourages employees from taking non-desirable risks and ensures that the company maintains a strong financial position. At the same time, it allows Rabobank to attract and retain highly qualified people in all markets, as well as encouraging employees to aim for long-term results that serve the long-term interests of Rabobank Group and its customers. The Group Remuneration Policy complies with requirements under the applicable legislation and regulations.

Key components of the Group Remuneration Policy represent requirements for employees that could potentially have a significant impact on the bank's risk profile (Identified Staff) and on employees in monitoring positions. Identified Staff who receive variable remuneration are subject to a deferral-of-payment policy, whereby the deferred payment covers a sufficient period of time (a minimum of three years) and the variable remuneration can be withdrawn and/or reclaimed by the Executive Board in accordance with the applicable legislation and regulations.

Risk-mitigating measures

The Group Remuneration Policy provides for several measures designed to reduce the risks potentially associated with remuneration policies. These measures obviously have no or only limited relevance to the Rabobank entities which have eliminated variable remuneration.

- **Ex-ante test:**

The Executive Board (subject to the approval of the Supervisory Board) verifies annually at group level whether payment of the proposed variable remuneration is responsible based on the Rabobank Group's qualifying capital and solvency ratio. The Executive Board also performs an ex-ante test (subject to the Supervisory Board's consent) before individual variable remuneration is allocated. Based on the outcome of this test, the company may then decide not to grant the employee allocation (or full allocation) and payment of variable remuneration.

- **Deferred variable remuneration and application of financial instrument**

For Identified Staff eligible for variable remuneration, a minimum of 50% of this remuneration is paid on a deferred basis and awarded conditionally. Furthermore, half of the variable remuneration is awarded in the form of Deferred Remuneration Notes (DRNs), which are linked directly to the price of Rabobank Certificates. The equivalent of these DRNs is awarded to participants one year after they were definitively obtained, at the price applicable at that time – i.e. the value is linked to the company's value.

- **Ex-post test:**

Before deferred amounts and amounts awarded on a conditional basis are released and awarded unconditionally (i.e. before they 'vest'), the company tests whether there is a reason to downgrade the amounts.

Claw-back option

Rabobank Group is authorised to reclaim all or a portion of variable remuneration previously paid from both employees and former employees in the following cases:

- if payment was made based on inaccurate or misleading information regarding the achievement of the performance targets which served as the basis for the variable remuneration or regarding the conditions on which the variable remuneration was made dependent;
- if the employee concerned has been guilty of fraudulent behaviour;
- if the employee has participated in, or been responsible for, behaviours that have resulted in substantial losses to and/or have damaged the reputation of Rabobank Group and/or the relevant subsidiary or business unit; and/or
- if the employee has failed to satisfy the relevant standards for competence and appropriate conduct.

Governance

The Group Remuneration Policy sets strict requirements for internal monitoring of the implementation of the remuneration policy. The Executive Board and the Supervisory Board monitor the allocation and payment of any variable remuneration within the parameters of the Group Remuneration Policy. The Rabobank Nederland Supervisory Board is responsible for implementing and evaluating the remuneration policy for the Executive Board, as well as for ensuring the implementation of the Group Remuneration Policy.

Employees in monitoring positions also hold key roles where the remuneration policy is concerned.

All business units have their own Monitoring Committees, which are actively involved in the design and implementation of, and compliance with, the Group Remuneration Policy.

The Monitoring Committees report to the Monitoring Committee Rabobank Group, which is comprised of the directors of HR Rabobank, the Supervisory Directorate, Control Rabobank Group and Group Risk Management. The Monitoring Committee Rabobank Group advises the Supervisory Board.

The internal audit function does not form part of the Monitoring Committee Rabobank Group, but rather conducts periodic, independent studies into the design, implementation and impact of the Group Remuneration Policy in all entities of Rabobank Group.

If, in any of the business units or subsidiaries, there is a conflict between the Group Remuneration Policy and local legislation and regulations or local marketing and practices, departures from the Group Remuneration Policy may be permitted by the Rabobank Nederland Supervisory Board. In such an event, it is important to ensure that any risk associated with such exceptions is sufficiently mitigated, that the basic principles set out in the Vision on Remuneration and the Group Remuneration Policy are not undermined, and that no applicable laws and regulations are violated.

Developments

Rabobank closely monitors any changes relating to the remuneration policy, both within the financial sector and beyond. The bank supports the current Dutch trend of reducing the use of variable pay as much as possible, while at the same time pointing out that, in order to ensure professional customer services, a limited number of exceptions must remain available in order to be able to attract or retain the calibre of employees required. In implementing its remuneration policy, Rabobank considers the long-term interests of its customers, along with the stability of the bank itself. In view of its competitive position in the labour market, the bank must pay competitive salaries, both in the Netherlands and internationally.

There is a risk that Dutch banks will be insufficiently able to attract and/or retain a specific type of highly qualified and talented financial specialists, namely a select number of experts who move smoothly between countries and industries. Rabobank applies a different remuneration ratio for these specialists, based on the straightforward requirement that an adequate monitoring system is in place both internally and externally, particularly in regard to – in exceptional cases – higher variable remuneration.

Executive Board

The remuneration packages of the members of the Executive Board are divided into fixed pay, pension entitlements, and a management supplement that serves as a fixed reimbursement of expenses. The members of the Executive Board ceased to be eligible for variable pay in 2013. This element has been eliminated from the policy without compensating for it with an amount in fixed pay. In eliminating variable remuneration, Rabobank has demonstrated itself to be sensitive to public criticism of this type of pay. The senior management supplement was previously eliminated for the Executive Board at the end of 2012. Board members were compensated for the elimination of this supplement on a one-time basis in 2012, i.e. this has not resulted in a permanent increase in their fixed pay. The Executive Board does not receive any long-term incentives or similar benefits. As with other employees, salary scales have been set for the Executive Board including minimum and maximum amounts. These are as follows.

in euros	Minimum	Maximum
Chairman of the Executive Board	923,500	1,154,400
Members of the Executive Board	707,200	884,000

The actual salaries are within these ranges. The scale maximums for the Executive Board were set in 2008 based on a representative peer group (benchmark) and have not been adjusted since. In 2013, the remuneration of the Executive Board was again compared by an external firm (Hay Group) with the external market on the basis of two reference markets, one financial and one non-financial. It was decided not to use a single combined group, as there are too many differences in the underlying dynamics within those two groups. Both reference groups include listed and non-listed companies. The financial, sector-specific reference market was defined within an international/European context. This reference group consists of 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. There are not enough comparable players in financial services in the Netherlands. The group of 'cross industry' companies in the Netherlands was determined by selecting companies in the Netherlands that are comparable in terms of their size and complexity. This cross-industry reference group consists of the following companies: ABN AMRO, AEGON, Ahold, Akzo Nobel, DSM, FrieslandCampina, Heineken, ING Bank, ING Verzekeringen, KPN, Philips, Randstad, SHV Holding and TNT Express. The benchmarking results show that the aggregate remuneration of all the members of the Executive Board is within the bottom 25% of both reference groups, and is well below the median of the reference market. This is due to the absence of short-term and long-term variable remuneration in the package, which is customarily offered in the rest of the market.

The members of the Executive Board participate in the group pension scheme administered by the Rabobank Pension Fund. The pension scheme was amended and subordinated effective 1 January 2013 (for further details, see the section titled 'New Rabobank Collective Labour Agreement').

Senior management

Senior management salaries have not been adjusted for inflation since 2008. In late 2013, the company decided to eliminate the variable pay for this group effective 1 January 2014, resulting in a further retrenchment of the terms of employment package for this category. A 40-70% discount was applied for the Performance Management year 2013 on the variable remuneration for senior management of Rabobank Nederland. These employees also automatically participate in the group pension scheme, which was amended and subordinated effective 1 January 2013.

New Rabobank Collective Labour Agreement

A new Collective Labour Agreement became effective at Rabobank on 1 July 2013. It has a term of two years and six months, expiring at the end of 2015. In negotiating the new Collective Labour Agreement, Rabobank primarily agreed a retrenchment of employment benefits. For example, it was agreed to apply a 'pay freeze' for the term of the Collective Labour Agreement, which means that the Agreement does not provide for collective wage increases. Furthermore, annual individual salary adjustments and salary increases for employees receiving promotions are moderate. A second important provision of the Agreement is that variable pay was eliminated with effect from the evaluation year 2013. A transitional scheme is in place for 2013. A portion of the variable pay was transferred to an 'Employee Benefit Budget', which employees can spend as they see fit in the BenefitShop, for example to purchase additional leave hours or earn pension credit. This represents a further step in Rabobank's upgrade to its terms of employment package. The discontinuation of the variable remuneration effective 1 January 2014 was further compensated in part by the 1.5% salary increase.

Another new feature of the Collective Labour Agreement is that a Sociaal Plan has been agreed. In implementing this plan, Rabobank aims to carefully manage the personnel consequences of Vision 2016. The purpose is to prevent redundancy wherever possible, and for this purpose a stage of 'active mobility' has been agreed for employees in positions where redundancy is expected.

During this stage, they are provided with various tools to increase their employability both at the bank and elsewhere. Employees who are made redundant are entitled to a 10-month support period. Under the 'vacancy management' rules, redundant employees are to be prioritised whenever internal vacancies come up. Employees forced to leave the company due to the reorganisation are entitled to fixed financial compensation.

The fourth significant amendment to the Collective Labour Agreement is the change in the pension scheme. The pension provisions for employees of the local Rabobanks, Rabobank Nederland, De Lage Landen, Obvion and Rabo Real Estate Group have been transferred to the Rabobank Pension Fund. There were several reasons for the pension scheme amendment. Under the old scheme, there was a risk that the IFRS accounting rules would result in potentially major fluctuations in the bank's assets. Regulations relating to the reduction in the maximum accrual percentage and the increase in the guideline pensionable age necessitated an adjustment of the pension scheme. Finally, pension premiums have increased sharply in recent years, due to higher life expectancy, low interest rates and other factors. The bank consulted closely on the amendment of the scheme with the trade unions, the employee representation bodies, the Pension Fund Members' Council and the Rabobank Retirees Association. Under the new pension scheme, Rabobank has no obligations other than to pay a capped annual premium. The indexation of employees' pensions is no longer unconditional and linked to the collective wage increase, but rather, as with retired employees, conditional and linked to the pension fund's coverage ratio. However, this is offset by measures including a one-time payment by Rabobank to the pension fund, which is expected to be used to finance indexation over the next three years. Other changes include a reduction in the contribution-exempt amount and in employees' personal contribution to pension premiums.

The coverage ratio of the Rabobank Pension Fund at year-end 2013 was 124.6%. For a required coverage ratio of 116.5%, this means that the fund had a reserve surplus of 8.1 percentage points. The coverage ratio is calculated using the yield curve set by the Dutch Central Bank. The pension fund uses the market interest rate for various purposes, including in its decisions regarding the allocation of indexation. Based on this, the coverage ratio at year-end 2013 was 120.8%; the coverage ratio at year-end 2012, which was calculated using the same method, was 115.8%.

Rabobank International

Rabobank International also introduced various austerity measures in 2013. The above-mentioned measures for senior management and the Collective Labour Agreement continue to apply in full to Rabobank International's Dutch employees.

In addition, the total available budget for variable remuneration at Rabobank International for 2013 was reduced once again, in line with the downward trend witnessed in recent years. An additional priority for the Dutch business was reducing the number of employees receiving discretionary variable remuneration in excess of 20% of their fixed salary. In anticipation of European legislation for 2014, the maximum for the variable remuneration for 2013 is already set at 100% of the fixed salary for all employees of Rabobank International.

Subsidiaries

De Lage Landen incorporated a number of changes in its Collective Labour Agreement in 2013 that likewise involve a retrenchment. New measures implemented include the discontinuation of general salary increases for 2013; the replacement of the age-related leave entitlement with leave entitlement related to the number of years of service; and a freezing of the Older Employees Scheme (which entitles these employees to additional leave from a certain age). The personal budget for all employees was raised by 0.65% effective 1 January 2014.

With its emphasis on curtailment, the new Collective Labour Agreement reflects the focus of Rabo Real Estate Group on cost-savings in the Dutch business. The new Collective Labour Agreement took effect on 1 October 2013 and expires on 31 December 2015, and the negotiation parties have agreed not to implement any collective wage increases during this period. The parties also reached agreement on a more stringent method for the allocation of variable remuneration, which is paid only if Rabo Real Estate Group generates profit from its assets. The parties also agreed to pay no variable remuneration for the performance year 2013. Since the employees of Rabo Real Estate Group are insured under Rabobank's Pension Scheme, the pension changes will apply to all Rabo Real Estate Group employees. Collective Labour Agreement negotiation parties agreed on an additional measure regarding the amount of the employee share of the pension premiums.

The Sociaal Plan will remain in place at Rabo Real Estate Group, but, if necessitated at an earlier stage by legislation or far-reaching organisational changes, the parties will negotiate on the Sociaal Plan, and this may result in Collective Labour Agreement provisions being agreed at an earlier date.

Dutch Banking Code

Background

The financial crisis that began in mid-2007 led to a profound social debate on the performance of financial institutions. In the Netherlands, the 'Adviescommissie Toekomst Banken' (Advisory Committee on the Future of Banks) took the lead in this debate by publishing a report entitled 'Naar herstel van vertrouwen' (Restoring trust) on 1 April 2009. The banking industry held various talks on this matter, in which Rabobank also participated. These talks led to the publication of the Dutch Banking Code, which was adopted by the Dutch Banking Association (NVB) on 9 September 2009 and came into effect on 1 January 2010. The Banking Code is enshrined in law and forms part of a set of national, European and international laws and regulations, case law and codes, parts of which are still being developed. Banks have to take this entire set into account when applying the Banking Code.

The Banking Code contains provisions on the structure of a bank's governance, risk management, audit function and remuneration policy. At the same time, it provides third parties with a tool they can use to ascertain whether banks have taken the right steps in response to the financial crisis. The Banking Code is intended to help restore trust in the financial sector. The second report of the Banking Code Monitoring Committee was published at the end of 2012. The Committee's principal conclusion was that banks generally act in compliance with the Banking Code, but that compliance is not yet promoted enough by the banking sector. Over four years after it was introduced, it was therefore time to revise the Code. This update took account of the recommendations of the Banking Code Monitoring Committee, the report of the Commission on the Structure of Dutch Banks and the government's vision on the Dutch banking sector. The principles in the 'old' Code that have already been enshrined in legislation and regulations are no longer included in the new Code. Rabobank will naturally continue to comply with these national and international regulations. Rabobank will endeavour in 2014 to raise public awareness of the new Banking Code and to engage in dialogue with society.

This chapter looks at the context in which the provisions of the current Banking Code are applied, and briefly describes how the provisions have been implemented. Compliance by Rabobank with the provisions of the Banking Code is based on the 'comply or explain' principle. Rabobank values transparency and clear accountability. Further information concerning the particulars of each provision can be found in a separate appendix to this Annual Report that is available on the [corporate website](#). Rabobank will report on its compliance with the new Banking Code as of 2014.

Scope of Dutch Banking Code

Local Member Rabobanks

Rabobank Group applies a policy for the group-wide application of the Dutch Banking Code in all group entities established in the Netherlands, including the local Member Rabobanks. This policy covers such aspects as risk management, audit and remuneration. Given the structure of Rabobank Group, in instances where the Banking Code mentions the Executive Board and the Supervisory Board, this refers to the bodies of Rabobank Nederland rather than to the local board of directors and local Supervisory Board. The Banking Code therefore does not apply to the individual local Member Rabobanks.

Subsidiaries and other group entities

At Rabobank Group, Rabo Real Estate Group reports separately on the application of the Banking Code. As De Lage Landen does not publish an annual report of its own, reporting on the application of the Banking Code at De Lage Landen has been consolidated in this Annual Report. Considering the group policy on risk management, audit and remuneration, De Lage Landen complies in full with the relevant provisions of the Banking Code. The composition and modus operandi of the Supervisory Board of De Lage Landen reflect the fact that De Lage Landen is a wholly owned Subsidiary of Rabobank Nederland. Friesland Bank merged with Rabobank in 2012. It will be some years before Friesland Bank has been fully integrated into the organisation. Because of the integration process, Friesland Bank is unable to apply all the principles of the Banking Code. It does not comply with sections: 2.1.5, 2.1.8, 2.1.9, 2.1.10, 2.2.1, 3.1.3, 3.1.4, 3.1.6, 3.2.2, 4.1 and 4.2 (see the separate appendix to this Annual Report that is available on the [corporate website](#)).

Rabobank: customer interests and risk management as guiding principles

Rabobank naturally endorses the Banking Code and it believes the Code is an important guideline for the sector to improve the organisation and operation of internal functions.

Governance: Executive Board

The main subjects covered in this section of the Banking Code are the duty of care (Treating Customers Fairly (TCF)) and the moral and ethical conduct declaration.

Treating customers fairly

As a cooperative, Rabobank places customer interests at the heart of its service provision. It is Rabobank's ambition to provide customers with the best possible service, while exercising due care and treating them fairly. This has been enshrined in the Rabobank Group Code of Conduct and the Rabobank Ambition Statement. Rabobank has a cooperative structure with autonomous banks whose conduct in respect of their customers is based on the three pillars: involved, nearby and leading. As every local member Rabobank has established a Members Council, customers have influence and a voice regarding the course of the Local Member Rabobank. In addition, the local Supervisory Boards oversee the actions of the local Rabobanks, to ensure that they are in the customers' best interests. These are the essential aspects of the local governance at local Rabobanks that guarantee customer focus.

The central policy that is proposed and implemented by Rabobank Nederland is only implemented after being approved by the permanent representatives of the local Supervisory Boards and the Local board of directors. As a result, the voice of the customer is heard in group-level decisions as well. Rabobank's unique cooperative governance is described in greater detail in the chapter on [Corporate Governance](#).

In 2008, Rabobank launched the Customer Care programme to underscore its ambition to provide clients with the best possible service. The programme has been included in the line organisation since 2010. A steering committee monitors whether clients' interests are continually well served. Monitoring is done by reference to a number of key principles. The key principles for treating customers fairly were reviewed in 2013, which resulted in refocused principles and tighter monitoring.

The revised principles are:

- appropriate advice
- good service
- good products
- accessible, involved and sustainable banking

Periodic management information is drawn up on the basis of these principles. This management information (consisting of information including customer surveys, complaints, product reviews and feedback from the Netherlands Authority for the Financial Markets (AFM)) is used as input for ceaselessly managing for improvements. As in 2012, these reports were discussed at the level of the Executive Board and the Supervisory Board.

The individual local Rabobanks themselves also have management information available on the quality of the advice provided and on customer satisfaction and other matters. This information is based, for instance, on internal audits, customer satisfaction surveys and complaints handling. In addition, the local Compliance Officer reviews whether or customers are treated with due care. The local Supervisory Board monitors the local Local board of directorsBoard of directors based, in part, on this information.

The product approval committee, which has now been operational for ten years, monitors the quality of the products, their benefits for the customer, as well as their safety and the quality of the information provided with respect to these products. Products offered by Rabobank are not added to the product range until they meet the criteria applied by this committee.

The bank's founding principles provide guidance in the day-to-day activities for everyone who works at Rabobank. The employees of the local member Rabobanks and Rabobank Nederland aim to provide top-quality, conscientious services. The performance targets agreed with them are balanced. Variable remuneration was discontinued with effect from 2013 for all employees covered by the Collective Labour Agreement. A performance management system is used for employee evaluations and setting their fixed remuneration. The system is designed to foster performance and competencies. In 2013 and 2014, customer focus and teamwork will continue to be compulsory elements in the performance management system. A balanced set of performance targets is agreed with each employee. Employees who have direct or indirect contact with clients always have an explicit target geared to treating customers fairly. A sufficient focus on the customers' interests is a precondition for a favourable evaluation for employees. Rabobank uses management and compliance reports to monitor the quality of customer service and customer care on an ongoing basis.

Moral and ethical conduct declaration

On 17 April 2013 the members of the Executive Board and Supervisory Board then in office took the oath for the moral and ethical conduct declaration before Mr Koopmans, Chairman of the Supervisory Board. Mr Koopmans, on his part, took the oath on that date before the Deputy Chairman of the Supervisory Board, Mr Vermeer. Mr Dagle was unable to be present on 17 April 2013. He took the oath for the moral and ethical conduct declaration on 23 May 2013.

Mr Van Dalen and Mr Teerlink did so on 3 October 2013 before the present Chairman of the Supervisory Board, Mr W. Dekker. On 1 November 2013, Mr Nagel and Mr R. Dekker took the oath for the moral and ethical conduct declaration before the Chairman of the Executive Board, Mr Minderhoud.

Continuing professional education

The members of the Executive Board take a number of half-day continuing professional education (PE) courses every year. The continuing professional education curriculum includes relevant developments at Rabobank and in the financial sector, corporate governance in general and that of the financial sector in particular, the duty of care towards customers, integrity, risk management, financial reporting and audits. Depending on the topic, the continuing professional education courses are taught by internal or external experts. In 2013, the Executive Board received information on such topics as risk management and virtualisation and changing customer behaviour. In addition, various members of the Executive Board took up the invitation to attend sessions for the continuing professional education of the Supervisory Board: on relevant (future) European regulations, their expected impact on Rabobank and how to represent Rabobank's interests in that context, the recovery plan that Rabobank drew up on the request of the Dutch Central Bank, megatrends in the food and agri sector and the new food and agri strategy of Rabobank Group (Banking4Food). In addition to the continuing professional education curriculum, newly appointed Executive Board members are offered a customised induction programme, as part of which they talk to several internal and external experts, and make working visits.

Supervisory Board

The Supervisory Board of Rabobank Nederland has a diverse composition. New members of the Supervisory Board follow an induction programme to prepare them for their role as Supervisory Board members at Rabobank. A training programme is set up for Supervisory Board members annually. The selection of topics takes account of current developments and the expertise required within the Supervisory Board.

The Supervisory Board received extensive information in 2013 on relevant (future) European regulations, their expected impact on Rabobank and how to represent Rabobank's interests in that context, the recovery plan that Rabobank drew up on the request of the Dutch Central Bank, megatrends in the food and agri sector and the new food and agri strategy of Rabobank Group (Banking4Food) and governance and the performance of the Supervisory Board in the various roles performed by the Supervisory Board. In addition, various members of the Supervisory Board took up the invitation to attend a session for the continuing professional education of the Executive Board about virtualisation and changing customer behaviour. The members of the Audit, Compliance & Risk Committee received information on hedge accounting in the spring of 2013, as part of their continuing professional education. In the autumn, the Risk Committee (in the presence of several members of the Audit Committee and the Executive Board) received information on the quality of Rabobank's mortgage portfolio and the principal risks according to the Rabobank and the Dutch Central Bank's risk analysis.

Appointments and re-appointments to the Supervisory Board are made by the General Meeting on the recommendation of the Supervisory Board and after receiving advice from the Central Delegates Assembly. In 2013 the Supervisory Board drew up a succession plan for the Board. This plan describes the policy line the Supervisory Board intends to pursue for the purposes of the present and future composition of the Supervisory Board. Taking into account the core competencies of each Supervisory Board member in office in combination with the schedule of rotation, the profile that members to be selected in the next round(s) of appointment should

have been considered. Succession planning is evidently an ongoing and adaptable process. Upon each appointment or re-appointment, the areas of knowledge and experience and other qualities and competencies deemed necessary at the time concerned to be able to perform optimally as a collective Supervisory Board are reviewed. Furthermore, every year the Supervisory Board evaluates the performance of the Supervisory Board as a whole and that of its individual members. Further information on the activities of the Supervisory Board in 2013 can be found in the report of the [Supervisory Board](#) contained elsewhere in this Annual Report.

Risk management

Risk management is a central theme of the Dutch Banking Code. Rabobank Group's conservative risk appetite stems from the sound objectives of stability and solidity that Rabobank has pursued for many years. Moreover, Rabobank was also found to have controlled most of the risks effectively during the recent years of economic and financial turmoil. Rabobank is continuing its efforts to improve the quality of risk management practices and the risk culture within the organisation. In further strengthening risk management in 2013, top-down and bottom-up risk assessments and various stress tests were performed that included a more integrated analysis of the different risk categories. A separate chapter on [risk management](#) can be found elsewhere in this Annual Report.

Risk appetite

Rabobank has a tradition and a culture of prudent risk policy, as part of which it acts with a keen awareness of risks and uses its scarce resources with caution and due consideration. This prudence is applied in taking as well as in implementing strategic decisions. Rabobank applies a risk strategy that is aimed at continuity.

Product approval

The product approval process is carried out at a group entity level. Since 2010, a group-wide policy framework is in place to safeguard standardised working procedures and required quality levels for the product range in all Rabobank Group entities. Products are not just tested before introduction, modification or withdrawal, the full current product offering is also periodically tested against current standards. Key criteria are whether the products still meet the needs of customers and whether they are in their best interests. In this way, Rabobank is taking responsibility for its relationship with customers and for the level of quality it offers. Audit Rabobank Group periodically verifies whether the product approval process has been designed properly, is in place and is working effectively.

Audit

The Executive Board has audits carried out by Audit Rabobank Group (ARG), which holds an independent position within the organisation, to ascertain whether internal risk controls (governance, risk management and control) meet the applicable requirements. Every year, ARG performs audit procedures, based on an extensive risk assessment and an audit plan based on this assessment, in order to establish whether the internal control and risk management systems operate effectively. The director reports directly to the Chairman of the Executive Board and has a direct reporting line to the Audit Committee of the Supervisory Board and/or its Chairman. Tripartite talks between the external auditor, the Dutch Central Bank (DNB) and Rabobank (including ARG) are held at least once a year. The matters that come up for discussion at these meetings include risk assessments, the audit plan and audit findings. The Annual Report includes a statement by the Executive Board to the effect that the internal risk management and control systems are designed such that the financial reporting can be considered to be reliable.

Remuneration policy

The Dutch Banking Code contains principles for a prudent, restrained and sustainable remuneration policy that incorporates non-financial performance criteria. The rules governing remuneration policy focus on the long term and managing risks entailed by variable remuneration systems. Rabobank endorses these guiding principles and accordingly pursues a prudent, restrained and sustainable remuneration policy, which is in line with its strategy, chosen risk profile, cooperative identity and core values. The remuneration policy is in keeping with a customer-oriented approach and takes account of Rabobank's long-term interests, the international context of the markets in which Rabobank operates, and acceptance of the remuneration system by society. The pay outcomes are balanced and the performance criteria do not encourage employees to take irresponsible risks.

Group Remuneration Policy

The prudent and restrained risk policy pursued by Rabobank in 2013 is reflected in the bank's remuneration policy. In view of the current developments in society, the members of the Executive Board will no longer receive variable remuneration with effect from 2013; in addition, variable pay has been discontinued for all employees covered by the Collective Labour Agreement. Variable remuneration for specialist positions and international positions is being increasingly restricted. All Rabobank Group entities are obliged to comply with the Group Remuneration Policy. To find out more about the Group Remuneration Policy, please consult the chapter on [Employees](#) elsewhere in this Annual Report.

Severance pay

In accordance with the Dutch Banking Code, the maximum severance payment for members of the Executive Board has been set at one annual salary. For members of the Executive Board appointed prior to 1 January 2010, a (subdistrict) court could decide, in line with the provisions of the Dutch Civil Code, to grant a higher severance pay than the maximum under the Dutch Banking Code.

Corporate governance

Rabobank Group is comprised of autonomous local member Rabobanks; their central organisation, Rabobank Nederland, and a number of specialised subsidiaries. As a bank that uses its customers' interests as the basis for its day-to-day actions, Rabobank aims to provide the most appropriate financial services for all. Its structure as a cooperative organisation facilitates a long-term approach to customer relationships, with Rabobank looking to invest sustainably in direct involvement with its customers and their environment.

The local Rabobanks are Rabobank's core entity – they are autonomous cooperatives rooted in their local communities, whose aim is to contribute to economic development in their service areas. The local Rabobanks, for their part, are members of and shareholders in the cooperative Rabobank Nederland. They are divided across twelve regions, known as Regional Delegates Assemblies. Each of these Regional Delegates Assemblies has a Board, whose members are also members of the Central Delegates Assembly. The latter is a body of Rabobank Nederland which plays a key role in policymaking. The members of the Central Delegates Assembly consist of the Regional Delegates Assembly Boards, the majority of whom are appointed by members of the local Rabobanks. The local Rabobanks collectively make up the General Meeting of Rabobank Nederland, whose responsibilities include appointing the members of the Rabobank Nederland Supervisory Board.

The policies of Rabobank Group are based on its strategic principles. The interrelationship between risk, return and capital is crucial in the decision-making process. Standards based on regulatory and other provisions have been formulated for Rabobank Group's organisation and control.

Dutch Corporate Governance Code

Although Rabobank Nederland, due to its cooperative structure, is not required to comply with the Dutch Corporate Governance Code, it does so on a voluntary basis. It departs from the Code in just several minor areas, partly on account of its cooperative structure. For additional information, please refer to the [corporate website](#).

Dutch Banking Code

The Banking Code for Dutch banks was adopted by the Board of the Dutch Banking Association in 2009, expanding on a report titled 'Naar herstel van vertrouwen' (Restoring trust) authored by the Advisory Committee on the Future of Banks. Rabobank Nederland's governance is in compliance with the Dutch Banking Code. For additional information about Rabobank's compliance with the Code, please refer to the chapter titled '[Dutch Banking Code](#)' in this Annual Report and a separate appendix to this Annual Report on the [corporate website](#).

Rabobank Group Code of Conduct

The Rabobank Group's values and standards are determined by its four core values: respect, integrity, professionalism and sustainability. These core values are based on its mission statement and Ambition Statement. The Rabobank Group Code of Conduct expands on the core values and contains the basic principles for the behaviour of all Rabobank Group employees.

All group entities use this code or an equivalent based on the code. Employees are regularly reminded of the core values and the Rabobank Group Code of Conduct. In order to enable our people to act on the basis of the Rabobank core values and the applicable theoretical frameworks (the Ambition Statement, the Rabobank Group Code of Conduct and specific codes of ethics), they have access to a number of practical tools and resources, including training courses and the opportunity to discuss business dilemmas. A copy of the Code of Conduct is distributed to new employees, while all employees are encouraged to use the Code as a reference when faced with business dilemmas. Culture and behaviour were a key focus at Rabobank International during the reporting year. The core values and the Rabobank Group Code of Conduct are integrated into HR tools. Part of this ongoing focus on the Rabobank Group Code of Conduct and dealing with dilemmas is the oath for the moral and ethical conduct declaration. This oath was introduced on 1 January 2013 and taken by the members of the Rabobank Nederland Executive Board and Supervisory Board as well as by the members of the Local board of directors and Supervisory Boards of the local Rabobanks and the Dutch subsidiaries of Rabobank Nederland during the reporting year. The Ambition Statement and the Rabobank Group Code of Conduct are available on the [corporate website](#).

Cross-guarantee system within Rabobank Group

Through their mutual financial association, various legal entities within Rabobank Group make up a single organisation, including the local Rabobanks, Rabobank Nederland and a number of group entities. These legal entities have a mutual relationship of liability as referred to in Section 3:111 of the Dutch Financial Supervision Act. This relationship is formalised in an internal cross-guarantee system. This cross-guarantee system stipulates that, if a qualifying institution should have a shortage of funds to meet its obligations towards creditors, the other qualifying institutions are required to supplement that institution's funds in order to allow it to fulfil these obligations.

Local Rabobanks

The local Rabobanks have a cooperative structure and their members are locally based clients. These local Rabobanks, their members and their clients make up Rabobank Group's cooperative core business. Being at the heart of society, they are involved, nearby and leading in their service offering.

Using various bodies (Regional Delegates Assemblies, Central Delegates Assembly, General Meeting and different committees) as a platform, the local Rabobanks conduct an intensive dialogue with each other and with Rabobank Nederland about group strategy. The local Rabobanks and Rabobank Nederland have carefully defined rights and obligations with respect to each other.

In addition to decisive management and independent supervision, the governance model also guarantees effective member influence. The members of local Rabobanks have important powers under the Articles of Association through their banks' Members council and General Meeting, for instance. An active and open dialogue with customers and members via the Members council and several panels helps to stay attuned to the members' needs and keep a connection with the local service areas.

Local board of directors

Every local Rabobank has a multi-person Local board of directors consisting of banking professionals, who collectively conduct the bank's management. The Local board of directors is appointed by the local Supervisory Board, subject to the approval of Rabobank Nederland.

The Local board of directors operates under the supervision of the local Supervisory Board. The Local board of directors has a balanced composition in order to make its management more effective based on complementarity.

Supervisory Board

The members of the local Supervisory Board are nominated by the local Supervisory Board and appointed by the Members council, subject to the approval of Rabobank Nederland. One of the duties of the local Supervisory Board is to supervise the local Rabobank. This includes the Local board of directors's policies and the general conduct of business at the cooperative and its operations. Key management decisions are subject to the approval of the local Supervisory Board. The local Supervisory Board also monitors compliance with internal and external rules and regulations. The local Supervisory Board is responsible for appointing, evaluating, suspending and removing the members of the Local board of directors. Finally, the local Supervisory Board and Local board of directors of the local Rabobank jointly represent the local Rabobank as member of Rabobank Nederland in the Regional Delegates Assembly.

The local Supervisory Board is comprised of people with a variety of experience, competencies and backgrounds. This ensures that checks and balances are maintained and creates a sound balance between banking professionals and professionals from other backgrounds. Rabobank Nederland offers local supervisory directors a continuous professional education programme that allows them to improve their knowledge of the organisation, maintain their professionalism and share their experiences.

Local Supervisory Boards are accountable to the Members Council for their supervision of the Local board of directors's management.

Members Council

Clients can become involved in their local Rabobank by becoming a member. This gives them influence and control over the future of their local Rabobank. The members represent the clients. They are familiar with the members' and clients' wishes and considerations, and know all about the local service area and (local) public opinion.

Each local Rabobank has a Members council, which is meant to provide a firm and structural footing for member control and member influence. A Members council is a delegation of 30 to 50 members elected by the members from their ranks. As such it is a cross-section of the local service area. The Local board of directors asks the Members council to assess its policies in order to tailor its service offering as much as possible. The Members council influences and monitors the direction of the local Rabobank and forms the link towards the bank's broad member base.

The Members council typically adopts the financial statements and appoints the members of the local Supervisory Board. Members councils also tend to be involved in selecting local projects qualifying for cooperative dividend. Cooperative dividend comprises all investments in, and expenditures on, improving the local economic, social and cultural environment, including sustainability initiatives.

General Meeting

The General Meeting of a local Rabobank decides on major issues that impact the local Rabobank's continuity. The Members council exercises all other powers.

Works Council

Based on the Dutch Works Council Act, each local Rabobank has its own Works Council to discuss representation issues affecting that particular bank. The Local board of directors is responsible for calling in the local Works Council adequately and promptly, both formally and informally, when the situation or developments within the bank so warrant. The rights of the local Works Council include the right to be informed, the right to be consulted, the right of consent and the right of initiative.

In order to achieve the best possible employee representation, the local Works Council consults with the chairman of the Local board of directors during Consultative Meetings. The general state of affairs should be discussed in a Consultative Meeting on at least two occasions every year. The local Supervisory Board or a delegation of this Committee is also represented in these Meetings. The local Supervisory Board is also present during Consultative Meetings addressing important consultative issues, or a planned appointment or removal of the chairman of the Local board of directors.

Group Works Council of local Member Banks

The Group Works Council of Member Banks operates within the scope of the Dutch Works Council Act as the central employee representative body of all the local Rabobanks that looks after the interests of the local Rabobank's employees.

The Group Works Council of Member Banks has a say in the development of policies that affect the local Rabobanks. With regard to issues requiring consultation or consent that impact most or all Member Banks and are decided at central level, the Group Works Council of Member Banks exercises the right to be consulted and the right of consent. In addition, the Group Works Council of Member Banks supports the local Works Councils in their continuing development and professionalisation, and educates, informs and advises them on current issues and developments. The Group Works Council of Member Banks deliberates with the Executive Board of Rabobank Nederland prior to the Central Delegates Assembly.

Rabobank Nederland

Rabobank Nederland was established to support the local Rabobanks' banking business. It initiates and develops policies and products in many different areas, such as lending, payments, securities services, customer service, marketing, distribution and human resource policy. These policies are developed in close dialogue with representatives of local Rabobanks.

Besides a supporting role to the local Rabobanks, Rabobank Nederland also fulfils several other roles. For example, it is a shareholder in several specialised companies, including De Lage Landen and Rabo Real Estate Group. Rabobank Nederland also maintains its own banking business, Rabobank International, operates in the international financial markets and is responsible for managing the money market transactions and capital market transactions of Rabobank Group.

Rabobank Nederland supervises the local Rabobanks pursuant to the Dutch Financial Supervision Act – this power is provided for in the Articles of Association of Rabobank Nederland and the local Rabobanks. For example, Rabobank Nederland supervises the local Rabobanks in the areas of prudent and ethical business operations, outsourcing, solvency and liquidity.

Additionally, under the Dutch Financial Supervision Act Rabobank Nederland has been designated by the Ministry of Finance as the holder of a collective licence with respect to business conduct supervision. This means that the Netherlands Authority for the Financial Markets (AFM) is responsible for supervising the business conduct of local Rabobanks through Rabobank Nederland.

The cooperative local Rabobanks are also members of the cooperative Rabobank Nederland, which gives them an important role in ensuring the proper governance of Rabobank Nederland. A key element in this respect is the open and transparent culture, with clear accountability in terms of management, supervision, and the assessment of both. The influence and say of the local Rabobanks is embodied in Rabobank Nederland's two bodies: the Central Delegates Assembly and the General Meeting.

Executive Board

The Executive Board of Rabobank Nederland is responsible for managing Rabobank Nederland. This includes responsibility for defining and achieving the targets of Rabobank Nederland, for determining its strategic policy and associated risk profile, for its financial results, and for the corporate social responsibility aspects that are relevant to the business. The Executive Board is also in charge of Rabobank Group's compliance with all relevant laws and regulations, for managing business risks, and for the financing of Rabobank Group.

In performing its duties, the Executive Board acts in accordance with the interests of Rabobank Nederland and its affiliated entities, also taking into account the interests of groups of stakeholders, such as customers and employees. The Executive Board is accountable to the Supervisory Board, the Central Delegates Assembly and the General Meeting of Rabobank Nederland.

The Supervisory Board appoints the members of the Executive Board for a four-year term of service. Re-appointments are also for a term of four years. The Supervisory Board is also competent to suspend or remove Executive Board members.

Every member of the Executive Board is thoroughly familiar with the financial sector in general and with banking in particular, with Rabobank's role in society, and with stakeholder interests. In addition, every Executive Board member has the in-depth knowledge that is required to be able to lay down and understand the main aspects of Rabobank Nederland's overall policy and to independently form a balanced opinion of the associated risk exposures. Each year, the members of the Executive Board take part in a continuing professional education programme that is specifically tailored to their needs. The Supervisory Board periodically assesses the performance of the Executive Board, which may in some cases result in appropriate measures being taken.

On the recommendation of the Supervisory Board, the Central Delegates Assembly defines the principles underlying the executive compensation policy. The Supervisory Board then determines the remuneration of the individual members of the Executive Board and is accountable for its decisions in this regard to the Committee on Confidential Matters of the Central Delegates Assembly.

Supervisory Board

The Supervisory Board of Rabobank Nederland supervises the policies pursued by the Executive Board and the general conduct of business at Rabobank Nederland and its affiliated entities. The Supervisory Board also monitors compliance with the law, the Articles of Association and other relevant rules and regulations. The Supervisory Board discharges its duties from the broad perspective of the continuity of Rabobank Nederland and its affiliated entities. The Supervisory Board evaluates whether enough consideration is given to the interests of all stakeholders (including customers and employees) of Rabobank Nederland and its affiliated entities.

Key decisions of the Executive Board are subject to the approval of the Supervisory Board, including strategic decisions that should result in the achievement of targets and the preconditions that apply with respect to these targets, for example with regard to financial risks and the relevant aspects of sustainable business, along with decisions regarding the annual adoption of the policy plans, the budget, and the operational and financial targets. As well as playing a key role in the supervision of risk management, the Supervisory Board also has an important responsibility in supervising the Group Remuneration Policy.

Candidates for the position of Supervisory Board members can be nominated by the Executive Board, the Rabobank Nederland Works Council and the General Meeting. The General Meeting of Rabobank Nederland appoints the members of the Supervisory Board on the nomination of same and after obtaining permission from the Dutch Central Bank. Key considerations in nominating and appointing Supervisory Board members are their expertise and independence as individuals. The profile describes the integrity, and the expertise and level of availability that the Supervisory Board feels are needed. The members of the Supervisory Board take part in a customised continuing professional education programme. The Committee on Confidential Matters of the Central Delegates Assembly sets the remuneration of the Supervisory Board members.

The Supervisory Board incorporates six committees which perform preparatory and advisory duties on behalf of the Supervisory Board itself, namely the Audit Committee, the Risk Committee, the Cooperative Issues Committee, the Appointments Committee, the Remuneration Committee and the Appeals Committee.

Central Delegates Assembly

The local Rabobanks are organised geographically in twelve Regional Delegates Assemblies, each with their own Board. Together, the Boards of the Regional Delegates Assemblies form the Central Delegates Assembly, which meets four times a year. The majority of the members of the Central Delegates Assembly are appointed – through the Regional Delegates Assembly Boards – by members of the local Rabobanks as their representatives at the local and collective levels. The Regional Delegates Assemblies discuss the agenda items prior to the Central Delegates Assembly. They can also table agenda items for their own meetings. The Regional and Central Delegates Assemblies have an important say in the policymaking process of the Rabobank organisation.

Other issues besides policymaking are discussed in the Assemblies too. The powers of the Central Delegates Assembly include the adoption of:

- binding rules governing all local Rabobanks;
- the Strategic Framework, thereby determining the Group's strategy going forward; and
- the budget for the support that Rabobank Nederland will provide to the local Rabobanks.

The Central Delegates Assembly advises the local Rabobanks, the Executive Board or the General Meeting. If, under the Articles of Association, decisions on specific issues require a resolution of the General Meeting of Rabobank Nederland, the Central Delegates Assembly advises on such issues beforehand.

The delegates to the Central Delegates Assembly have in-depth discussions, which are held not only as part of its specific duties and responsibilities, but also with the aim of serving as a sparring partner to the Executive Board. The discussions in the Central Delegates Assembly are also held to create consensus between the local Rabobanks and Rabobank Nederland.

The Executive Board of Rabobank Nederland discusses the policies conducted with the Central Delegates Assembly and provides further details. In order to operate effectively, the Central Delegates Assembly has appointed committees from among its members, which are charged with specific duties. The Committee on Confidential Matters advises on appointments to the Supervisory Board, determines the remuneration of the Supervisory Board members, and reviews whether the Supervisory Board has properly applied the remuneration policy. The Central Delegates Assembly's Coordinating Committee adopts the agenda for the Assembly and performs formality checks of the agenda items. The Emergency Affairs Committee advises the Executive Board on behalf of the Central Delegates Assembly on urgent, price sensitive or confidential cases – primarily on major capital expenditures, acquisitions or divestments.

General Meeting

The General Meeting is the body through which all local Rabobanks, being members of Rabobank Nederland, are able to exercise direct control. The General Meeting is responsible for the adoption of the financial statements, the discharge of the Executive and Supervisory Boards for their management and supervision respectively, amendments to the Articles of Association, and the appointment of the members of the Supervisory Board.

The Central Delegates Assembly advises on all agenda items for the General Meeting before the Meeting takes place. This procedure ensures that any such items have been discussed in detail at local, regional and central level beforehand.

Works Council

Rabobank Nederland's Works Council is based on the Dutch Works Council Act and is the bank's employee representation body. One of the duties of this Works Council is to monitor compliance with the Collective Labour Agreement, the Dutch Working Conditions Act and the Working Hours Decree.

In order to achieve the best possible employee representation, the Works Council deliberates with the Chairman of the Executive Board during Consultative Meetings. These Consultative Meetings are held six times a year on average and cover issues affecting Rabobank Nederland or its employees, including cost cuts, reorganisations and social policy. In Works Council Meetings the members of the Works Council prepare for the upcoming discussions in the Consultative Meetings. These preparatory meetings serve to exchange ideas and viewpoints in order to form a final opinion that will be expressed in the Consultative Meeting.

The Works Council has several rights under the Dutch Works Council Act. The Executive Board has the obligation, for instance, to duly provide any details and information that the Works Council should reasonably require to be able to fulfil its duties. In addition to the right to be informed, the Works Council's rights include the right to be consulted, the right of consent and the right of initiative.

European Works Council

Rabobank has instituted a European Works Council, which represents the employees of Rabobank International and of Rabobank Group subsidiaries in the European Union. The European Works Council is informed of, and consulted on, employee representation issues impacting employees of Rabobank Group as a whole or issues involving at least two EU Member States.

Financial reporting controls

Rabobank Group constantly seeks to improve its corporate governance and overall internal controls, with the aims of achieving an open, transparent culture of accountability in respect of policies and supervision, and keeping pace with leading international standards.

In this context, Rabobank Group has voluntarily implemented internal financial reporting controls in a manner that is similar to how US-registered companies tend to apply Sarbanes-Oxley 404. Rabobank Group is under no obligation to do this, since it is not registered with the US Securities and Exchange Commission (SEC) and is therefore not subject to the related regulations and supervision.

Rabobank Group believes that internal financial reporting controls increase the effectiveness of such reporting and offer opportunities to identify and rectify any weaknesses at an earlier stage. This ensures Rabobank Group's high-quality financial reporting.

Internal controls

Rabobank Group uses internal controls to provide reasonable assurance that:

- transactions are recorded as necessary to permit the preparation of financial statements in accordance with International Financial Reporting Standards as endorsed by the European Union, and that income and expenditures are recognised only if approved by the management;
- any unauthorised acquisition, use or disposal of assets that could have a material effect on the financial statements is prevented or detected.

Rabobank Group's internal control framework is based on the framework developed by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). As set out in the Executive Board Responsibility Statement, the Executive Board has concluded that the internal risk management and control systems are adequate and effective, and provide reasonable assurance that the financial reporting is free of material misstatement.

Management

Members of the Executive Board of Rabobank Nederland

Members of the Executive Board and areas of responsibility (as at 1 March 2014)

Rinus Minderhoud (M.), Chairman

(effective 29 October 2013 at 1:30 p.m.)

- Human Resources Rabobank
- Communications
- Corporate Affairs
- Compliance
- Audit Rabobank Group
- Legal Affairs
- Economic Research Department
- Corporate Secretary's Office

Rien Nagel (H.)

(appointed effective 1 November 2013)

Markets Retail Netherlands

- Retail & Private Banking
- Businesses
- Cooperative & Governance

Vacancy

(temporarily filled by Berry Marttin)

Markets Wholesale Netherlands/International

- Wholesale Clients Netherlands
- Wholesale Clients International
- Global Financial Markets
- Professional Products
- Real Estate

Berry Marttin (B.J.)

Markets Rural & Retail International

- International Network East
- International Network West
- International Direct Retail Banking
- Sustainability
- Rabo Development
- De Lage Landen



Members of the Executive Board:
from left to right Berry Marttin,
Bert Bruggink, Rinus Minderhoud,
Ralf Dekker and Rien Nagel.

Ralf Dekker (R.J.)
(appointed effective 1 November 2013)

Chief Operational Officer (COO)

- Operations
- Group ICT
- IT Operations Rabobank International

Bert Bruggink (A.)

Chief Finance and Risk Officer (CFRO)

- Control Rabobank Group
- RI Finance, Control & Risk
- Control Support of Local Rabobanks
- Business Management unit
- Treasury Rabobank Group
- Central Treasury
- Group Risk Management
- Credit Risk Management
- Special Accounts Rabobank
- Investor Relations
- Fiscal Affairs

Company Secretary

Rens Dinkhuijsen (L.A.M.)

Resigned from the Executive Board:

Ms A.G. Silvis (25 January 2013)

J.A.M. van der Linden (4 September 2013)

P.W. Moerland (29 October 2013 at 1:30 p.m.)

S.N. Schat (18 November 2013).

Supervisory Board of Rabobank Nederland

Members of the Supervisory Board (as at 1 March 2014)

Name	Position	First appointed in	Term of service scheduled to expire in
Wout Dekker (W.)	Chairman	2010	2016
Antoon Vermeer (A.J.A.M.)	Deputy Chairman	2002	2014
Irene Asscher-Vonk (I.P.)	Secretary	2009	2017
Henk van Dalen (C.H.)	Member	(25 September) 2013	2017
Leo Degle (L.)	Member	2012	2016
Louise Fresco (L.O.)	Member	2006	2014
Leo Graafsma (S.L.J.)	Member	2010	2014
Erik van de Merwe (E.A.J.)	Member	2010	2016
Ron Teerlink (R.)	Member	(25 September) 2013	2017
Cees Veerman (C.P.)	Member	2007	2015

Resigned effective 20 June 2013 (expiry of term of service): L. Koopmans, M.J.M. Tielen and A. de Bruijn

Resigned effective 29 October 2013 (joined Executive Board): M. Minderhoud

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

Directors and CEOs (as at 1 March 2014)

Directors of Rabobank Nederland

Jan Bos (J.J.)	Control Rabobank Group
Paul Dirken (P.H.J.M.)	Businesses
Ron Droste (R.M.M.A.)	Retail & Private Banking
Dirk Duijzer (D.)	Cooperative & Governance
Pieter Emmen (P.C.A.M.)	Group Risk Management
Ab Gillhaus (A.J.)	Credit Risk Management
Rob Kemna (R.A.C.)	Operations
Rudi Kleijwegt (R.P.)	Compliance
Lex Kloosterman (A.M.)	Rabobank International
Pim Mol (P.W.)	Corporate Affairs
Jan van Nieuwenhuizen (J.L.)	Rabobank International
Sander Pruijs (J.A.)	Rabobank International
Harry de Roo (J.H.)	Rabobank International
Gerlinde Silvis (A.G.)	Human Resources Rabobank
René Steenvoorden (R.A.)	Group ICT
Rinus van der Struis (M.)	Audit Rabobank Group
Fred Weenig (F.)	Rabobank International
Rob van Zadelhoff (R.J.)	Rabobank International

CEOs of key subsidiaries

Jos van Lange (J.H.P.M.)	Rabo Real Estate Group
(vacancy)	Schretlen & Co
Kevin Knightly (K.)	ACCBank
(vacancy)	De Lage Landen
Ronald Touwslager (R.)	Obvion

Report of the Supervisory Board of Rabobank Nederland

2013, a turbulent year

2013 can be described as a turbulent year. This turbulence occurred not just outside but inside the Rabobank organisation as well during the year. The Libor case understandably elicited a wide range of emotions. The year 2013 was also a year for Rabobank in which, partly on the basis of Vision 2016, numerous developments were initiated. The Supervisory Board is confident that these developments, centred on virtualising, advising and participating, will clearly contribute to distinctive cooperative customer services delivered by contemporary local Rabobanks that treat customers fairly based on the core values of respect, integrity, professionalism and sustainability.

Proposal to the General Meeting

In accordance with the relevant provisions of the Articles of Association of Rabobank Nederland, the Supervisory Board has reviewed the annual report and the financial statements for 2013 of Rabobank Nederland and of Rabobank Group, and the other information added thereto. The Supervisory Board discussed these documents with the Executive Board, the internal auditors and Ernst & Young Accountants LLP (EY), the external auditors, and took note of the unqualified external auditor's report that EY issued on the financial statements 2013. The Supervisory Board would ask the General Meeting of Rabobank Nederland to adopt the financial statements 2013 and approve the proposed profit appropriation.

Corporate governance

The three pillars of corporate governance at Rabobank Nederland are decisive management, effective member influence, and strong and independent supervision. The chapter on corporate governance in this Annual Report describes the governance structure at Rabobank Nederland and the bank's compliance with the Dutch Corporate Governance Code. An extensive account of how the provisions of the Dutch Banking Code have been and are being applied is given in the section on the Dutch Banking Code, which explains that Rabobank endorses these provisions for good governance in the financial sector. The Supervisory Board agrees with what has been described in these two chapters.

Supervisory Board of Rabobank Nederland

The members of the Supervisory Board in office on 1 March 2014 are listed in the chapter '[Management](#)' in this Annual Report. The profile for the Supervisory Board has been posted on the [corporate website](#). The section on [corporate governance](#) in this Annual Report describes the duties and responsibilities of the Supervisory Board and its role in Rabobank Nederland's governance structure. In performing its duties, the Supervisory Board focuses on the interests of Rabobank Nederland and its affiliated entities, taking account of the interests of stakeholders and aspects of corporate social responsibility that are relevant to Rabobank.

Remuneration of the Supervisory Board

The year 2013 was extraordinarily eventful for Rabobank. This also had a major effect on the time spent by the Supervisory Board on discharging its duties. The regular duties of the members of the Supervisory Board consist in studying large volumes of documents, attending the meetings of the Supervisory Board, attending the meetings of the various committees of the Supervisory Board (Audit Committee, Risk Committee, Cooperative Issues Committee, Appointments Committee and Remuneration Committee), attending consultative meetings of the Works Council as observer on a rotation basis, attending Regional Assembly meetings, attending meetings of the Central Delegates Assembly, maintaining contacts with local Rabobanks and attending the Annual General Meeting. Additional time needs to be committed to meeting the requirements of continuing professional education.

On the basis of recent experience at Rabobank Nederland and expectations for the future, the average time required to be spent by members of the Supervisory Board of Rabobank Nederland, including the various committees, is approximately as follows:

- 3 to 4 days a week for the Chairman;
- 1 to 2 days a week for the Deputy Chairman; and
- 1 to 1.5 days a week for a member.

Within the total fee received by the Chairman of the Supervisory Board, two thirds relate to the role of Chairman of the Supervisory Board and participating in the various committees of the Supervisory Board. One third of this fee relates to ensuring the effective representation of cooperative members' influence that is unique to Rabobank and derives from its cooperative structure. These duties include, for instance, acting as Chairman for the Central Delegates Assembly. The Supervisory Board fees were considered from three perspectives in 2013: market range, time required in combination with the hourly rate and the points system in relation to the fixed salary of the Chairman of the Executive Board. On the basis of these three perspectives and in the light of the specific structure of Rabobank and the time required to be spent and duties to be performed by the Supervisory Board as a result, a specialised outside firm issued an opinion to the effect that the amount of the current overall fees is considered to be appropriate.

The Confidential Committee of the Central Delegates Assembly sets the remuneration of the members of the Supervisory Board of Rabobank Nederland. Information on the remuneration of the members and former members of the Supervisory Board Rabobank Nederland in 2013 is included in note 47 to the consolidated financial statements 2013 of Rabobank Group.

Moral and ethical conduct declaration

On 17 April 2013 the members of the Executive Board and Supervisory Board then in office took the oath for the moral and ethical conduct declaration before Mr Koopmans, Chairman of the Supervisory Board. Mr Koopmans, on his part, took the oath on that date before the Deputy Chairman of the Supervisory Board, Mr Vermeer. Mr Degle was unable to be present on 17 April 2013. He took the oath on 23 May 2013. Mr Van Dalen and Mr Teerlink did so on 3 October 2013 before the present Chairman of the Supervisory Board, Mr W. Dekker.

Appointments and re-appointments to the Supervisory Board and succession planning

Appointments and re-appointments to the Supervisory Board are made by the General Meeting on the recommendation (if applicable) of the General Meeting, the Executive Board and the Works Council and subject to consultation with the Central Delegates Assembly.

In accordance with the retirement schedule, Mrs Asscher-Vonk and Mr Koopmans, Mr Tielen and Mr De Bruijn were due to retire by rotation as members of the Supervisory Board in 2013. On 20 June 2013, the General Meeting of Rabobank Nederland resolved to re-appoint Mrs Asscher-Vonk to the Supervisory Board of Rabobank Nederland. Mr Koopmans, Mr Tielen and Mr De Bruijn were not available for re-appointment.

Mr Tielen and Mr De Bruijn were appointed as members of the Supervisory Board of Rabobank Nederland in 2002 and 2009 respectively. The Supervisory Board wishes to express its sincere gratitude to both of them for their contribution to the Rabobank organisation during many years as former member of the Local board of directors and member of the Supervisory Board respectively of a local Rabobank and as Supervisory Board members of Rabobank Nederland, members of the Cooperative Affairs Committee and chairman and member, respectively, of the Appeals Committee of this Board.

Special gratitude is extended to Mr Koopmans who moved from the Board of Directors to the Supervisory Board of Rabobank Nederland when the corporate governance structure was changed in 2002. The Supervisory Board is very grateful to Mr Koopmans for his great commitment to the Rabobank organisation and his valuable service as Chairman of the Supervisory Board and Chairman of the Appointment Committee of this Board, and as technical chairman of the Central Delegates Assembly and the General Meeting. Mr W. Dekker succeeded him in the role of Chairman of the Supervisory Board of Rabobank Nederland on 20 June 2013.

In 2013 the Supervisory Board drew up a succession plan for the Board. This plan describes the policy the Supervisory Board aims to be guided by in determining the current and future composition of the Supervisory Board. The plan was based on external legislation and regulations, guidelines and codes, such as the Suitability Policy Rule, and on internal preconditions such as the profile of the Supervisory Board and the job profile for individual members of the Supervisory Board. This was followed by an assessment of the areas of knowledge and experience and other qualities and competences that are important in terms of the composition of the Supervisory Board and an assessment of the extent to which the actual situation already matches that ideal. Considering the core qualities of each member of the Supervisory Board in office in combination with the schedule of rotation, the profile required by candidates for appointment to the Supervisory Board in the next round(s) of appointment was identified. Succession planning is naturally a continual and adaptable process. The areas of knowledge and experience and other qualities and competences that are considered to be necessary to operate optimally as a collective Supervisory Board will be assessed at the time of each appointment or reappointment.

Mr Van Dalen (profile: financial and economic expertise) and Mr Teerlink (profile: international merchant banking) were appointed as members of the Supervisory Board of Rabobank Nederland in the extra General Meeting of 25 September 2013, on the basis of the succession plan.

The Supervisory Board as it is composed at present complies with principle III.2 Independence of the Dutch corporate governance code.

Suitability requirements imposed by Dutch Central Bank

In mid-2012, the members of the Supervisory Board of Rabobank Nederland in office at that time underwent a suitability assessment in accordance with the new requirements imposed by the Dutch Central Bank (DNB). Based on its findings and the recommendations of the Netherlands Authority for the Financial Markets (AFM), DNB issued a positive opinion on all supervisory directors of Rabobank Nederland whose suitability was assessed. In April 2013, representatives of DNB discussed the results of this assessment with the Supervisory Board. This was followed in 2013 by the suitability assessments of Mr Van Dalen and Mr Teerlink, in respect of whom DNB likewise issued a positive opinion.

Contacts with stakeholders

The Supervisory Board of Rabobank Nederland supervises the policies pursued by the Executive Board and the general conduct of business at Rabobank Nederland and its affiliated entities in a national and international perspective in accordance with the cooperative governance model and with a focus on sustainable operations and the continuity of the entity as a going concern. The Supervisory Board also advises the Executive Board on matters concerning the management of the bank. In performing its duties, the Supervisory Board focusses on the interest of the Rabobank Group, with a view to which the Board judiciously balances the interests of the parties involved, including customers, members, employees and society at large.

The Chairman of the Supervisory Board is in close contact with the Chairman of the Executive Board and consults on a monthly basis with the internal auditor and the Group Compliance Officer. The Chairman of the Supervisory Board, the Chairman of the Audit Committee (formerly the Audit, Compliance & Risk Committee - see below in this chapter), the external auditor and the internal auditor meet at least four times a year. Several times a year, the Supervisory Board receives information on relevant topics from directors and managers during committee meetings and other meetings and continuing professional education sessions. During the year under review, the members of the Supervisory Board attended, as observers, meetings of Rabobank Nederland's Works Council and of the Group Works Council of Member Banks on a rotation basis. Given the importance of these bodies in Rabobank's cooperative model, the members of the Supervisory Board spend much time attending Regional and Central Delegates Assemblies. The Chairman of the Supervisory Board is also the Technical Chairman of the Central Delegates Assembly, the Emergency Affairs Committee of the Central Delegates Assembly and of the General Meeting of Rabobank Nederland. In addition, the Chairman of the Supervisory Board attends the meetings of the Coordination Committee and the Confidential Committee of the Central Delegates Assembly.

The members of the Supervisory Board also attend, as appropriate, conferences and information sessions for members of the Local board of directors and Supervisory Boards of the local Rabobanks or, on invitation, meetings of local Rabobanks for their members. The Supervisory Board or its Chairman, alone or together with the Executive Board or its Chairman, as appropriate, maintains contact with external regulators. By doing so, the Supervisory Board keeps in touch with developments at key internal and external stakeholders.

Meetings

Meetings of the Supervisory Board

The Supervisory Board met sixteen times in 2013. This comprised both regular and additional meetings scheduled. The meetings were also attended by the Executive Board. The meetings were often followed by consultation of the Supervisory Board in general committee. In addition, the full Supervisory Board met twice, without the Executive Board being present, with representatives of DNB as part of the annual policy consultation and the feedback of the results of the DNB risk analysis. Besides one supervisory director who struggled with health issues, no member was repeatedly absent from regular scheduled meetings of the Supervisory Board or its committees.

Committee meetings

The Supervisory Board has various committees. With effect from September 2013, the Audit, Compliance & Risk Committee was split into an Audit Committee and a Risk Committee. Before the split, the Audit, Compliance & Risk Committee met five times, including one brief extra meeting. Following the split, the Audit Committee and the Risk Committee each met three times. The Cooperative Affairs Committee met four times in the reporting year, the Appointment Committee five times and Remuneration Committee six times.

No matters were referred to the Appeals Committee in 2013. Several members of the Supervisory Board served on two temporary committees in 2013. These were the Special Libor Committee, established in 2012, and a committee in connection with the Rabobank Member Certificates.

Offsite meetings

The Supervisory Board held four offsite meetings in 2013. The first concerned feedback on the results of the suitability assessment of the members of the Supervisory Board by representatives of DNB. This consultation took place in mid-April 2013. The offsite meeting at the end of May 2013 focused on the self-assessment of the Supervisory Board, which had taken place earlier with outside assistance in the spring of 2013. In the second half of August 2013, the Supervisory Board spoke with an outside expert about the top structure of Rabobank Nederland. In mid-November 2013, the Supervisory Board met to exchange views on current developments, partly in response to the Libor case.

Sessions for continuing professional education and other training initiatives

As part of their continuing professional education, the members of the Audit, Compliance & Risk Committee received information on hedge accounting in the spring of 2013. In the autumn the Risk Committee (in the presence of several members of the Audit Committee and the Executive Board) received information on the quality of the mortgage loan portfolio of Rabobank and the top risks identified by Rabobank and DNB.

The Supervisory Board attended four sessions for continuing professional education in 2013. At the end of January 2013, the Supervisory Board received extensive information on relevant current and future European regulations, their expected impact on Rabobank and on representing Rabobank's interests in that connection. In March, the Supervisory Board performed an in-depth review of the recovery plan that Rabobank had drawn up at the request of DNB, the possible recovery measures and recovery capacity of Rabobank, the relationship with resolution planning and the role of the Supervisory Board within the recovery and resolution framework. At the start of October 2013, the Supervisory Board discussed megatrends in the food and agri sector and the new food and agri strategy of Rabobank Group (Banking4Food) with several internal and external experts, with a special focus on developments in Africa. These three sessions for continuing professional education were also attended by members of the Executive Board, as well as internal and external experts. The fourth continuing professional education session for the Supervisory Board was held without the Executive Board being present. In mid-October 2013, the Supervisory Board, supported by a number of outside experts, extensively discussed the subject of governance and the performance of the Supervisory Board in its various roles. This included a consideration of the results of the evaluation of the performance of the Supervisory Board for each role. At the start of June 2013, several members of the Supervisory Board took up the invitation to attend a session for the continuing professional education of the Executive Board on virtualisation and changing customer conduct. To supplement the continuing professional education sessions, several members of the Supervisory Board took part in conferences for Rabobank professionals organised by Group ICT and Group Risk Management. In addition a familiarisation and induction programme was prepared for Mr Van Dalen and Mr Teerlink, who were appointed as members of the Supervisory Board of Rabobank Nederland on 25 September 2013.

Summary of activities of the Supervisory Board in 2013

In accordance with its statutory duties and responsibilities, the Supervisory Board supervised the policies pursued by the Executive Board and the general course of affairs at Rabobank Nederland and its affiliated entities. In addition, it served as a sparring partner to the Executive Board.

In February 2013 the Supervisory Board together with the Executive Board and the internal and external auditors reviewed the financial statements and the annual report for 2012 in detail, as well as the other information added thereto, the proposed profit appropriation and the reports of the internal and external auditors. The Supervisory Board closely examined the audit report, the allowance for loan losses, the management letter and the associated management response. In August, the interim figures were discussed and approved in a meeting attended by the internal and external auditors.

In every meeting, the Supervisory Board received updates on relevant developments within Rabobank and the financial sector. In meetings of the full Supervisory Board and committee meetings, frequent discussions took place with the Executive Board on strategic issues, the progress of the Vision 2016 programme, interim and projected results, the financial position of the company, the results of the solvency and liquidity assessment, various aspects of risk management, including the risk appetite, operational and financial targets, audit and compliance themes and key compliance issues. In every meeting, the Supervisory Board focused on compliance with existing legislation and regulations and on the implementation and potential consequences of new and future legislation and regulations. The Supervisory Board was kept up to date, often orally and by reports of Special Libor Committee, on developments in the Libor issue.

The Supervisory Board decided to split the Audit, Compliance & Risk Committee into an Audit Committee and a Risk Committee in September 2013. Following this split and several changes in the Supervisory Board as of June and September 2013, there were minor changes in the composition of some of the committees of the Supervisory Board. New terms of reference were drawn up for the Audit Committee and the Risk Committee. The terms of reference of the Executive Board, the Supervisory Board and the Remuneration Committee were adapted in line with the guidelines on internal governance of the European Banking Authority (EBA) and the Group Remuneration Policy.

Every six months, the Supervisory Board received extensive information on ICT matters. In addition to the stability of the systems, the elimination of legacy issues and combating cybercrime, the Supervisory Board focused closely on business continuity management and the progress of large ICT projects in the Netherlands and abroad. The progress of migration to the new European payments standard SEPA (Single Euro Payments Area) was a recurring item on the agendas of the Supervisory Board and of the Risk Committee in 2013.

Following advice from the Risk Committee, the Supervisory Board approved an update of the risk appetite statement. The Executive Board also consulted extensively with the Risk Committee and the Supervisory Board on the Supervisory Review and Evaluation Process (SREP) in relation to managing the adequacy of internal capital (ICAAP) and internal liquidity (ILAAP) and on the views of the Executive Board concerning the top risks as identified by Rabobank itself and as described in DNB's annual risk analysis.

The full Supervisory Board and the Audit Committee considered the outcome of the Executive Board's assessment of the design and effectiveness of the internal risk management and control systems, and any material changes in those systems. Other matters that were considered included the effectiveness of the compliance function in place at Rabobank Group and the design and effectiveness of the assigned compliance duties and the relationship with the local Rabobanks. At least every quarter, the Supervisory Board exchanged views with the Executive Board on cooperative matters and corporate social responsibility. The Supervisory Board also considered the communication policy, reputation management and behaviour and culture within the organisation.

In the past year, the Supervisory Board considered various issues concerning appointments and remuneration, including several personnel changes within the senior executive management and the discontinuation of variable remuneration for the Executive Board. As part of the Group Remuneration Policy, the Supervisory Board held an in-depth discussion about remuneration policy with the Executive Board and approved aspects relating to the variable pay of identified staff and a number of material exceptions to the Group Remuneration Policy. The Supervisory Board also considered the annual reporting on the Executive Loans Scheme and the annual report of the Confidential Committee on the Whistleblowers Regulation.

Priorities of the Supervisory Board in 2013

Financial statements for 2012, interim report 2013 and budget for 2014

In February 2013, the Supervisory Board discussed at length the Annual Report and related documents for 2012 of Rabobank Nederland and Rabobank Group with the Executive Board, in the presence of the internal and external auditors. The Annual Report includes the Report of the Executive Board, the associated audit report, the financial statements and the proposed profit appropriation. The management letter, including the management response, was also discussed at length. Topics discussed included the development of the capital ratios and the liquidity position, the bad debt costs, real estate valuations, new IFRS rules and divestments and capital expenditure.

In August 2013 the Supervisory Board reviewed the interim report 2013 of Rabobank Group in detail. To that end, the transition to defined contribution accounting for pensions, the recognition of a provision for Libor, developments concerning Rabobank Member Certificates and the sale of Robeco were considered in depth.

In the autumn of 2013 the budget for 2014 of Rabobank Group was discussed and approved by the Supervisory Board. In that connection, the effects of Vision 2016, the cost structure of Rabobank Nederland and the development of profitable, future-proof earnings models were also examined in depth. Approval was also given in the latter part of the year to the funding mandate 2014.

The Audit, Compliance & Risk Committee and from September 2013 the Audit Committee thoroughly prepared the discussions of the matters referred to above.

Assigned compliance duties

Rabobank Nederland exercises assigned compliance duties in respect of the Member banks. This means that Rabobank Nederland exercises supervision over the local Rabobanks with regard to controlled and ethical operations, outsourcing, solvency and liquidity. This duty derives from the Dutch Financial Supervision Act and implements the supervision that would otherwise be exercised by De Nederlandsche Bank N.V. (DNB) with regard to the local Rabobanks. In addition, Rabobank Nederland performs monitoring and other duties with regard to the local Rabobanks pursuant to the collective licence regime in the context of complying with the conduct supervision that is supervised by the Netherlands Authority for the Financial Markets (AFM). In overseeing and holding local Rabobanks accountable on the basis of its prudential supervision role, the Executive Board aims for a balance between commerce, efficiency and risk/compliance. In the past year the Executive Board reviewed the approach to its assigned compliance duties and decided to manage more explicitly on those focus areas. The Supervisory Board endorses this decision. The Supervisory Board realises that the role of assigned supervisory body in the cooperative context in combination with the role of facilitator for the local Rabobanks as founders and members of Rabobank Nederland is not always easy and requires all parties involved to switch between these roles in a timely and appropriate way and to use the appropriate tone of voice. The Supervisory Board periodically receives a detailed progress report on the performance of the exercised supervision duties, in which the Executive Board reports on

the developments within the three aforesaid focus areas for all local Rabobanks together and for local Rabobanks requiring heightened supervision and guidance by Rabobank Nederland on one or more of these areas. After they have been discussed with the Supervisory Board, the progress reports are made available to DNB and the AFM.

Legislation and regulations

During the past year, the Supervisory Board continually received information on the potential impact of new national and international legislation and regulations, guidelines and codes. The Supervisory Board regrets the fact that these substantial regulatory pressures and the sometimes complex and protracted implementation processes arising from them require so much time and attention from the organisation that in practice this sometimes detracts from the time and attention for customers and markets. In 2012, Rabobank adopted a uniform implementation approach for regulations and established an implementation approval committee. If the committee designates an issue as critical, the uniform implementation approach will be activated to promote consistent and timely implementation at the local Rabobanks. The Supervisory Board frequently consulted with the Executive Board on the implementation of legislation and regulations in fields including customer integrity, the duty of care, Treating Customers Fairly, commission, advertising and anticorruption.

Libor

Although numerous important subjects were to the fore in the past year within Rabobank, 2013 will be mainly remembered by many, both in and outside Rabobank, as the year of the Libor case. The Supervisory Board, and particularly its Special Libor Committee, was closely involved in this issue in the lead-up to the settlement. On behalf of the Supervisory Board, Mr Koopmans, Mr Dekker and Mr Minderhoud served on the Special Libor Committee. Following the departure of Mr Koopmans as Chairman of the Supervisory Board, Mr Graafsma became a member of this committee on 20 June 2013. The other members of the committee were Mr Moerland, Mr Schat and Mr Bruggink for the Executive Board. They were supported by internal and external experts. The Supervisory Board also engaged an external Legal Counsel its own for this purpose. The Special Libor Committee met nine times in 2013 in the lead-up to the settlement. Topics discussed in detail included the findings arising from the investigation and their interpretation, the action plan, including the recovery measures to be taken, the ongoing contact with external regulators and other parties involved, liability aspects and the communication strategy. The full Supervisory Board was continually informed of developments on this issue via the reports of the Special Libor Committee, oral information provided in meetings and the discussion of various documents.

The Supervisory Board regrets the facts that gave rise to the Libor settlement and the far-reaching consequences they involved, not just in financial terms but especially in terms of the bank's reputation. The Libor case seriously harmed the trust placed in Rabobank. Against that background, Mr Moerland deemed it appropriate to step down as Chairman of the Executive Board upon the announcement of the settlement on 29 October 2013. The Supervisory Board has the utmost respect for his decision. Mr Minderhoud succeeded Mr Moerland as acting Chairman of the Executive Board until a definite replacement for Mr Moerland has been found. The Libor case understandably elicited a wide range of emotions among customers, employees and the general public. The settlement also harmed the trust placed by local Rabobanks and their members in Rabobank and those bearing executive responsibility in Utrecht. The Executive Board and the Supervisory Board received numerous responses from members, customers, local Rabobanks, employees and other involved parties in which they emphatically expressed their emotions and opinions. The sparse communication was a significant factor. The Executive Board and the Supervisory Board repeatedly considered this subject in the period leading up to the

settlement. In doing so, the bank reached the conclusion, on the basis of legal advice, that the provision of information had to remain limited. A second view that was often voiced concerned the position of Mr Schat as the director bearing executive responsibility on Executive Board for the business unit in which the inadmissible conduct on the part of employees took place. The large volume of questions and the associated emotions prompted the Executive Board and the Supervisory Board to decide to host sessions for employees and representatives of local Rabobanks. The options for restoring the compromised trust in Rabobank were discussed in depth during the sessions with Chairmen of Local board of directors and Chairmen of the Supervisory Boards of local Rabobanks. It became clear in the course of those consultations that the basis of support for retaining Mr Schat as a member of the Executive Board had been seriously eroded. This put the Supervisory Board in a difficult position, as the external regulators and the Supervisory Board had expressed their confidence in him and Mr Schat had committed himself fully to continuing the implementation of the recovery measures in connection with the Libor case in order to justify the faith placed in him. The Supervisory Board nonetheless felt compelled to follow up on the urging of the local Rabobanks and their members, as is appropriate for a Supervisory Board in a cooperative structure. With the departure of Mr Schat, Rabobank lost a highly experienced and capable international banker, who made a significant contribution to the bank in almost 30 years of service.

The Libor case and its consequences are extremely regrettable, but do not in any way invalidate Rabobank's strategic choices. These are unchanged. The cooperative Rabobank continues to put its customers' interests first. Rabobank is and remains a cooperative in which members of the bank are closely involved in its policies. Consequently the cooperative local Rabobank will continue to be clearly rooted in the living and working environment of our customers. A bank that invests in services and advice that cater to today's and tomorrow's virtual communities. The Executive Board and the Supervisory Board, together with the local Rabobanks, will focus a great deal of time and effort on initiatives to regain the trust of all stakeholders, both internally and externally, and to establish contemporary local Rabobanks, with suitably tailored support provided by a suitably tailored organisation of Rabobank Nederland.

Vision 2016

In 2013, the Supervisory Board monitored the progress of Vision 2016 in every meeting. Accordingly, at the start of 2013, the Supervisory Board considered the Vision memorandum 2016 as a transposition of the Strategic Framework and considered the suggestions of the co-making groups with regard to the themes of the modernisation of the cooperative, customers and markets, operational excellence and finance and control. Later in the year the Supervisory Board consulted with the Executive Board on the implementation of cooperative customer services by local Rabobanks, in the course of which the minimum scale of local Rabobanks and several desired merger initiatives were also discussed. With a view to benchmarking, the Executive Board outlined options for local Rabobanks to save costs and increase their commercial productivity and efficiency. The Supervisory Board also repeatedly consulted with the Executive Board on the impact of Vision 2016 on the workforce, in terms of employee numbers as well as profiles. The Supervisory Board also asked for a continued focus on serving customers' interests as part of the Vision 2016. The Supervisory Board wishes to express its appreciation for the way in which representatives of the local Rabobanks, Rabobank Nederland and the Executive Board have addressed the various sub-programmes in the context of Vision 2016.

Change in the top structure of Rabobank Nederland/One Rabobank

Looking at Vision 2016 and a number of improvement priorities arising from the Libor issue, the Executive Board and the Supervisory Board extensively discussed the desired structure of Rabobank Nederland. In November 2013, the Supervisory Board discussed the new top structure for Rabobank Nederland and the associated revised allocation of portfolios within the Executive Board. In line with the new top structure, the design of the existing organisation within Rabobank Nederland that serves to support the local Rabobanks will be adapted. Also, several divisions of Rabobank Nederland and Rabobank International will be merged and the way they are managed will be changed in some cases.

The Supervisory Board gave its approval to the new top structure of Rabobank Nederland, which entails a new portfolio allocation within the Executive Board. The Supervisory Board considered both this new top structure and portfolio allocation in appointing Mr Nagel and Mr Dekker as members of the Executive Board and in filling several new executive positions within Rabobank Nederland.

The Executive Board and the Supervisory Board firmly believe that, particularly in times of limited growth and cost savings, an emphatic focus is required on mutual understanding and coherence within the organisation. The feeling that everyone is part of one Rabobank can be promoted by a greater awareness of each other's activities and by jointly contributing to the results of the group as a whole. This applies as much for the group entities in the Netherlands as it does internationally. Accordingly the Supervisory Board supports the decisions taken by the Executive Board to introduce, alongside the CRISP project (which is a conduct and culture programme to increase employee engagement within Rabobank International) a group-wide culture programme. The Supervisory Board expects that a shared culture and close mutual coordination between the local Rabobanks, Rabobank Nederland and Rabobank International will help customers to see Rabobank as one strong physical and virtual cooperative bank.

Personnel changes on the Executive Board

The Supervisory Board appointed Mr R. Dekker and Mr H. Nagel as members of the Executive Board with effect from 1 November 2013, on the advice of the Appointment Committee.

These appointments filled the vacancies that had arisen in the course of 2013 when Mrs Silvis and Mr Van der Linden stepped down. Mrs Silvis stepped down with effect from 25 January 2013, after which she was appointed as Director Human Resources Rabobank. Mr Van der Linden stepped down with effect from 4 September 2013, for health reasons.

Mr Moerland stepped down from the Executive Board on his own initiative on 29 October 2013 after the announcement of the Libor settlement, following which Mr Minderhoud, until that time a member of the Supervisory Board of Rabobank Nederland, joined the Executive Board in the role of Chairman. Mr Minderhoud's willingness to act in this position on an interim basis gives the Supervisory Board the opportunity to carefully follow the selection and appointment procedure for a new CEO. Mr Schat had to take leave of the organisation on 18 November 2013 as the basis of support for him among the local Rabobanks was insufficient following the Libor events. The Supervisory Board regrets the circumstances that caused the departure of Mr Moerland and Mr Schat. The Supervisory Board is grateful to Mrs Silvis, Mr Van der Linden, Mr Moerland and Mr Schat for their commitment and contributions to the Rabobank Group.

Talent management

The Supervisory Board arranged for an assessment to be carried out at the end of 2013 of the top management of Rabobank Group. This will be followed in 2014 by an assessment of the entire executive management, as part of which the Supervisory Board will also review ways of increasing gender diversity and other types of diversity.

The Supervisory Board supports the decision taken by the Executive Board to sign the Charter Talent to the Top in the spring of 2014.

Situation in the financial markets and the position of Rabobank

The Supervisory Board closely monitored the situation in the financial markets and its consequences for Rabobank in 2013. This included a consideration of the capital ratio of Rabobank Group and an announcement by the Executive Board of securities issues to achieve the funding targets for 2013. The developments concerning the bank's rating were also discussed on several occasions.

Rabobank Member Certificates

2013 featured several developments concerning Rabobank Member Certificates. AFM guidelines to improve investment services needed to be implemented. Against this background, customers were informed that Rabobank considered it opportune to limit the maximum amount embodied in Member Certificates compared to the customer's total assets. In addition, there was an increased supply of Rabobank Member Certificates for a period of several months in 2013 owing to the events concerning SNS and Cyprus. In close consultation with DNB, the Executive Board sought a solution aimed at enabling Rabobank, on the one hand, to implement its long-term capital policy and, on the other, to rapidly absorb a temporary oversupply of Rabobank Member Certificates. Towards the end of the year the Executive Board, supported by the Supervisory Board, found an appropriate solution. The target group was expanded to include institutional investors and a listing of the certificates on the stock exchange was announced to increase their tradability, while at the same time the minimum yield for all holders of the certificates was increased to 6.5% a year.

On 14 January 2014, the holders of certificates approved these plans following which the Rabobank Member Certificates were renamed Rabobank Certificates and listed on Euronext Amsterdam as of 27 January 2014.

In addition to the technical changes concerning the certificates, the Supervisory Board reviewed communication with members of the local Rabobanks in some depth. This was prompted by the consideration that the stock exchange listing of the certificates might cause the members to wonder whether this augured the end of the cooperative. It was therefore re-emphasised in communications that Rabobank had already been listed on the stock exchange since 1982 with various bonds, but was and would remain a cooperative bank. The cooperative as a form of corporate organisation and the way in which Rabobank organises its capital position are two separate matters. Rabobank Certificates are not akin to the shares used by companies nor do they provide any control over Rabobank's policies. Despite the limitation of the membership requirement for holding certificates, members can continue to reflect their commitment to Rabobank by holding Rabobank Certificates.

Strategic developments

The Supervisory Board gave its approval in the past year to the sale of Robeco, except Robeco Direct, to the Japanese financial services provider Orix Corporation. The Supervisory Board considers this development to be in the interests of Robeco's customers and employees. In 2013 the Executive Board and the Supervisory Board explored the strategic options for Bank BGZ in Poland. In December 2013 the Executive Board, with the approval of the Supervisory Board, sold 98.5% of Rabobank's shareholding in Bank BGZ to BNP Paribas Group (completion of the transaction is subject to the required regulatory approvals). This step offers Bank BGZ an opportunity to further strengthen its position as a broad-based commercial bank with an agri-focus. In addition to these divestments, the Supervisory Board considered the restructuring of ACCBank in Ireland, the growth strategy for Indonesia and the expansion plans for Rabobank in Turkey via a banking licence. At the end of 2013 the Supervisory Board and the Executive Board exchanged initial views on the issue of 'rebalancing for growth'. This discussion will be continued in 2014, in combination with the planned strategy debate with the local Rabobanks in the local committee meetings and the Central Delegates Assembly.

ICT

In a number of meetings, the Supervisory Board exchanged views with the Executive Board on such issues as the stability of the IT infrastructure, SEPA (particularly the migration of business customers), the progress of IT development in the context of Vision 2016 and other major IT projects, information security, logical access control, combating cybercrime, business continuity management and the migration of customers of Friesland Bank.

Sustainability

The Supervisory Board attaches great value to Rabobank's focus on its members, customers and its commitment to society, and is acutely aware of the responsibility that comes with delivering on this promise and being a sustainable bank in the broadest sense of the word.

The Cooperative Affairs Committee took an advisory role in the reporting period in reviewing several sustainability-related issues and exchanging ideas about these issues with the Executive Board. Sustainability also came up for discussion in several plenary meetings between the Supervisory Board and the Executive Board.

Remuneration policy

Rabobank pursues a prudent, restrained and sustainable remuneration policy. The Supervisory Board approves the remuneration policy for senior management and supervises its execution by the Executive Board. In addition, the remuneration position of the members of the Executive Board is benchmarked every year.

On the advice of the Remuneration Committee, the Supervisory Board approved a limited number of material exceptions to the Group Remuneration Policy in 2013. These exceptions were proposed on the basis of divergent local legislation and regulations and/or market practice. Adequate risk mitigation has been put in place for any risks that might arise from those exceptions.

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.

The Supervisory Board compared the remuneration for the members of the Executive Board with the remuneration of peer groups. The Supervisory Board decided in October 2013 to discontinue variable remuneration for the members of the Executive Board of Rabobank Nederland. This decision by the Supervisory Board followed the previous decisions not to award variable remuneration to the members of the Executive Board for the years 2012 and 2013. The discontinuation of variable remuneration follows from the Supervisory Board's conclusion that variable remuneration for executives is no longer properly reconcilable with the position of a bank embedded in society such as Rabobank. The fixed income of members of the Executive Board has also not been increased in the past five years either. Furthermore the Executive Board, although none of its members was aware of or involved in the inadmissible conduct concerning Libor, voluntarily waived a portion of its remuneration, up to a total amount of EUR 2 million.

On a proposal of the Remuneration Committee the Supervisory Board gave its approval to the Executive Board's decision to change the remuneration policy for the senior management with effect from 1 January 2014. This means that variable income will also be discontinued for this target group.

In December 2013, the Group Remuneration Policy (GRP) was adapted to the remuneration guidelines of the Capital Requirements Directive IV. In line with this, the general Remuneration policy rule and the Vision of Remuneration were likewise modified. At the start of 2014 the Regulations for Variable remuneration for Identified Staff will be changed in line with the revised GRP. This decision had to be deferred in connection with the conversion of Rabobank Member Certificates into Rabobank Certificates.

Detailed information on the Group remuneration Policy and the remuneration of the Executive Board and the Supervisory Board is available in the chapter Employees elsewhere in this annual report and in the financial statements.

Self-assessment

The Supervisory Board reviews its own performance and that of the separate committees on an ongoing basis. In addition, the Chairman has one-on-one meetings with each of the members of the Supervisory Board periodically to assess the performance of the Supervisory Board as a whole and that of the member in question. These forms of self-assessment are used to bring about improvements in the performance of the Supervisory Board and that of the individual supervisory directors, and to undertake individual or collective efforts to improve the members' knowledge where necessary. Key issues in the performance assessment are the degree to which the Supervisory Board, its committees and its individual members comply with the chosen profile, the composition and the availability of the required competencies of the Supervisory Board and of the separate committees, and the supervisory directors' attendance of Supervisory Board meetings and their input into these meetings. The range of competencies represented is, at vacancies, supplemented through new appointments as appropriate.

In the spring of 2013 the Supervisory Board arranged for a comprehensive independent assessment of its performance. The commitment of each member of the Supervisory Board, the culture within the Board, the attitude and conduct of the individual members and the relationship between the Supervisory Board and the Executive Board were part of this assessment. The assessment identified several themes on which the Supervisory Board intends to focus more closely. They included acting in the role of employer (target setting, monitoring and evaluation of the members of the Executive Board, succession planning, Executive Board/management development and talent development), conduct and culture, strategy development and agenda management and processes concerning the Supervisory Board. This has led to a request to the Remuneration Committee to put forward a proposal for the system of target setting, monitoring and evaluation of the members of the Executive Board and holding external assessments for the entire senior management. This should include addressing the wish to informally get to know 'high potentials' in the second and third echelon and the intention to make more time, outside the regular meetings, for formal and informal discussion of strategy, customers and markets, top risks and current developments.

A further self-assessment will be performed in the spring of 2014 with outside assistance.

Committees of the Supervisory Board

Audit, Compliance & Risk Committee (until September 2013)

With effect from September 2013 the Audit, Compliance & Risk Committee (ACRC) was split into an Audit Committee and a Risk Committee. The ACRC was tasked with preparing the Supervisory Board for its decision-making in relation to its supervision of the Executive Board's actions involving financial affairs, compliance-related issues and risk management.

Until September 2013, the ACRC considered topics such as the annual report and financial statements for 2012 and the interim report 2013, including the half-yearly memorandum on the allowance for loan losses, the audit report, the financial statements, the annual and interim reports, the periodic 'in control'-update, the (progress report) management letter and the management response. Other documents considered by the ACRC were the periodic memorandum on the course of affairs, the half-yearly progress report on assigned compliance duties, the quarterly reports and various audit reports of Audit Rabobank Group, as well as the annual plan and the half-year reports of Group Compliance. In addition, the ACRC regularly received information on topics such as Treating Customers Fairly, customer integrity, privacy, logical access control and information security, SEPA and various compliance and supervision matters.

Members:

M. Minderhoud, *Chairman*
S.L.J. Graafsma, *Deputy Chairman*
L.N. Degle
W. Dekker
L. Koopmans (*until 20 June 2013*)
E.A.J. van de Merwe
A.J.A.M. Vermeer
I.P. Asscher-Vonk, *observer*

The performance of the ACRC was part of the comprehensive and independent assessment of the Supervisory Board and various committees of this Board that was carried out for 2013. A self-assessment of the performance of the Audit Committee and the Risk Committee will be carried out in the course of 2014.

Members:

M. Minderhoud (*Chairman until 29 October 2013*)
S.L.J. Graafsma, *Chairman (Deputy Chairman until 29 October 2013)*
L.N. Degle
W. Dekker
C.H. van Dalen (*from 25 September 2013*)
E.A.J. van de Merwe
A.J.A.M. Vermeer
I.P. Asscher-Vonk, *observer*

Audit Committee (from September 2013)

This Committee helps the Supervisory Board prepare for its decision-making in relation to its supervision of the Executive Board on matters that are part mainly of the compliance function, the internal audit function and the external auditor: the internal risk management and control systems, the internal and external codes of conduct, the provision of financial information and compliance with and follow-up of recommendations and findings of the internal auditor and the external auditor, as well as compliance with legislation and regulations.

From September 2013, the Audit Committee considered in further detail the audit and compliance documents and topics as described for the ACRC above. In addition, the Audit Committee closely focused on the Asset Quality Review for commercial real estate, the design and operation of the compliance organisation of RNA in California, the progress on several points for follow-up in the management letter, the compliance implementation plan, progress reports on elements of Vision 2016, the half-yearly performance report of Rabobank International and preparations for the mandatory rotation of the external auditor. The Audit Committee has reviewed the budget application 2014 from Rabobank Nederland for Support for Member Banks in relation to Vision 2016 and Transition Rabobank Nederland, as part of which it focused on cost trends, FTE reductions and the development of the programme portfolio. The Audit Committee also discussed Rabobank Group's budget for 2014, with a particular focus on the development of the core tier 1 ratio. The Audit Committee advised favourably on the group budget following the Executive Board's undertaking to discuss potential strategic choices early in 2014 with a view to achieving the financial targets for 2014. The Audit Committee changed the Audit Rabobank Group Charter in line with the Basel document 'The internal audit function in banks' and approved the Audit Plan Rabobank Group 2014. As part of the annual procedure, the Audit Committee also met with the external auditor and Group Audit without the Executive Board being present. The internal auditor, Audit Rabobank Group, has sufficient resources in the judgement of the Supervisory Board to adequately perform its duties.

Members:

E.A.J. van de Merwe, *Chairman*
L.N. Degle, *Deputy Chairman*
W. Dekker
S.L.J. Graafsma
M. Minderhoud (*until 29 October 2013*)
R. Teerlink (*from 25 September 2013*)
C.P. Veerman

Risk Committee (from September 2013)

The Risk Committee helps the Supervisory Board prepare for its decision-making in relation to its supervision of the Executive Board with regard to its risk policy, risk management and the associated risk profile. This includes the operation of the product approval process and the risks relating to the remuneration system of Rabobank Group. The Risk Committee also discusses the financing structure, the policy on capital adequacy and capital allocation, the liquidity and funding in the short and long terms in the light of the group strategy and the defined risk policy.

From September 2013, the Risk Committee considered in further detail the risk-related documents and themes as described above for the ACRC. In addition, the Risk Committee focused on Rabobank Certificates and Rabobank Member Certificates, the strategic options for Bank BGZ, the restructuring of ACCBank in Ireland, the growth strategy for Indonesia, the assessment of acquisitions and participating interests. Furthermore, it discussed the monthly results and the risk sections in the memorandum on the course of affairs, as well as the periodic credit risk reports. The Risk Committee focused in detail on the DNB stress test, partly by reference to Rabobank's own stress tests, on the quality of the mortgage portfolio of Rabobank and on the preparations for the balance sheet assessment by the European Central Bank.

The Risk Committee discussed a proposal to adjust the product approval and review policy and advised favourably on the funding mandate for 2014. The Risk Committee carried out preparatory work for the Supervisory Board for the approval of the modified risk appetite statement. Lastly, the Risk Committee discussed Rabobank's top risks in depth, partly by reference to the DNB risk analysis. Significant issues that were discussed included the balance between commerce, efficiency and risk/compliance and between domestic and international operations, risk awareness and risk culture, reputational risk and cybercrime.

Members:

A.J.A.M. Vermeer, *Chairman*
C.P. Veerman, *Deputy Chairman*
I.P. Asscher-Vonk
A. de Bruijn (*until 20 June 2013*)
W. Dekker
L.O. Fresco
L. Koopmans (*until 20 June 2013*)
R. Teerlink (*from 25 September 2013*)
M.J.M. Tielen (*until 20 June 2013*)

Members:

L. Koopmans, *Chairman*
(*until 20 June 2013*)
W. Dekker, *Chairman* (*from 20 June 2013/
member until 20 June 2013*)
I.P. Asscher-Vonk
C.H. van Dalen (*from 25 September 2013*)
W. Dekker
L.O. Fresco
A.J.A.M. Vermeer

Members:

I.P. Asscher-Vonk, *Chairman*
C.H. van Dalen (*from 25 September 2013*)
W. Dekker
L.O. Fresco
L. Koopmans (*until 20 June 2013*)
A.J.A.M. Vermeer

Cooperative Affairs Committee

The Cooperative Affairs Committee (CAC) helps the Supervisory Board prepare for its decision-making in relation to the Executive Board's policy plans for cooperative issues affecting the local Rabobanks and Rabobank Nederland. This Committee also makes preparations for the Supervisory Board's discussion of policy documents involving corporate social responsibility (CSR). In 2013, the issues looked at by the CAC included developments at Rabo Development, a proposal to change the governance structure and organisation of the Rabobank Foundation, the suitability assessment and continuing professional education for members of local Supervisory Boards. Another major focus area was Vision 2016, mainly with a view to the modernisation of the cooperative and cooperative customer services. In addition, further developments in sustainability policy were the subject of extensive debate, resulting in the Sustainability Strategy 2020 with the motto 'Sustainably Stronger Together'. The CAC also talked about the sustainability sections of various reports and of the Annual Report. The CAC discussed Rabobank Group's new food and agri strategy, called Banking4Food, at length. In the autumn, the CAC reviewed the proposed implementation of the group-wide culture programme.

Appointment Committee

The Appointment Committee helps the Supervisory Board prepare for its decision-making in relation to the composition of, and appointments and re-appointments to, the Supervisory Board and the Executive Board. The Appointment Committee advised, on the basis of succession planning for the Supervisory Board prepared for that purpose and assessments of the senior executive management, on the personnel changes in the Supervisory Board and Executive Board respectively in 2013. The Committee also advised the Supervisory Board on a number of senior management appointments at Rabobank Nederland and its affiliated entities. As part of talent management, the Committee also addressed the subject of gender diversity.

Remuneration Committee

The Remuneration Committee helps the Supervisory Board prepare for its decision-making in relation to the remuneration of the members of the Executive Board and the remuneration policy for members of senior management. It also keeps close track of remuneration policies pursued in the external market and advises the Supervisory Board on how to apply the guidelines for remuneration policy in the banking sector. In 2013 the Remuneration Committee considered the performance targets for 2013 for Identified Staff. 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 the Rabobank Group and for the individual variable remuneration of employees belonging to the Identified Staff of Rabobank Group. The Remuneration Committee advised on several changes in the remuneration policy for the Executive Board, the senior management and employees belonging to the Identified Staff, partly in the light of the Capital Requirements Directive IV.

The Committee also assessed the social acceptance of the variable remuneration for the Executive Board and the senior management. The Remuneration Committee advised the Supervisory Board on proposals for material exceptions to the Group Remuneration Policy. The Remuneration Committee was consulted on financial sanctions for employees involved in grave inadmissible conduct in connection with Libor.

Members:

M.J.M. Tielen, *Chairman*

(until 20 June 2013)

I.P. Asscher-Vonk, *Deputy Chairman*

S.L.J. Graafsma

A. de Bruijn *(until 20 June 2013)*

Appeals Committee

The Appeals Committee acts as an advisory appellate body in disputes between local Rabobanks or between one or more local Rabobanks and Rabobank Nederland. No disputes were referred to the Appeals Committee in 2013.

Conclusion

The year 2013 was very eventful for all of us. The Supervisory Board wishes to thank all employees for the commitment they showed and results they achieved in 2013 and will continue to do its utmost in 2014 to regain the trust of all stakeholders in Rabobank.

Utrecht, 24 February 2014

The Supervisory Board

Annual figures

Consolidated statement of financial position

In millions of euros	At 31 December 2013	At 31 December 2012
Assets		
Cash and cash equivalents	43,039	68,103
Due from other banks	40,844	35,386
Trading financial assets	5,289	6,387
Other financial assets at fair value through profit or loss	4,971	5,911
Derivative financial instruments	39,703	65,423
Loans to customers	460,202	485,299
Available-for-sale financial assets	46,411	50,425
Investments in associates	3,629	3,649
Intangible assets	1,991	2,343
Property and equipment	6,901	6,500
Investment properties	1,073	1,489
Current tax assets	190	597
Deferred tax assets	1,911	960
Other assets	8,805	9,763
Non-current assets held for sale and discontinued operations	9,180	8,475
Total assets	674,139	750,710

In millions of euros	At 31 December 2013	At 31 December 2012
Liabilities		
Due to other banks	15,496	27,059
Due to customers	329,400	334,271
Debt securities in issue	195,361	223,336
Derivative financial instruments and other trade liabilities	50,171	74,800
Other debts	7,436	11,166
Other financial liabilities at fair value through profit or loss	19,069	24,091
Provisions	972	752
Current tax liabilities	267	205
Deferred tax liabilities	290	186
Subordinated debt	7,815	5,407
Liabilities held for sale and discontinued operations	7,825	7,357
Total liabilities	634,102	708,630
Equity		
Equity of Rabobank Nederland and local Rabobanks	24,641	25,311
Equity instruments issued directly		
Rabobank Member Certificates	5,823	6,672
Capital Securities	7,029	7,114
	12,852	13,786
Equity instruments issued by subsidiaries		
Capital Securities	236	236
Trust Preferred Securities III to VI	1,269	1,340
	1,505	1,576
Other non-controlling interests	1,039	1,407
Total equity	40,037	42,080
Total equity and liabilities	674,139	750,710

Consolidated statement of income

	For the year ended 31 December	
In millions of euros	2013	2012
Interest income	19,756	21,965
Interest expense	10,663	12,794
Interest	9,093	9,171
Commission income	2,194	2,577
Commission expense	194	349
Commission	2,000	2,228
Income from associates	157	255
Net income from financial assets and liabilities at fair value through profit or loss	232	872
Gains (losses) on available-for-sale financial assets	56	132
Other results	1,482	958
Income	13,020	13,616
Staff costs	5,325	5,494
Other administrative expenses	3,912	2,982
Depreciation	528	527
Operating expenses	9,765	9,003
Value adjustments	2,643	2,350
Bank tax	197	196
Operating profit before taxation	415	2,067
Taxation	68	158
Net profit from continuing operations	347	1,909
Net profit from discontinued operations	1,665	149
Net profit	2,012	2,058
Of which attributable to Rabobank Nederland and local Rabobanks	929	843
Of which attributable to holders of Rabobank Member Certificates	309	328
Of which attributable to Capital Securities	655	717
Of which attributable to Trust Preferred Securities III to VI	67	75
Of which attributable to other non-controlling interests	52	95
Net profit for the year	2,012	2,058

Consolidated statement of comprehensive income

	For the year ended 31 December	
In millions of euros	2013	2012
Net profit	2,012	2,058
Arising in the period (after taxation):		
<i>Foreign currency translation reserves</i>		
Currency translation differences	(412)	(249)
<i>Revaluation reserve - Available-for-sale financial assets</i>		
Currency translation differences	(43)	21
Changes in associates	(28)	59
Fair value changes	(34)	393
Amortisation of reclassified assets	37	55
Transferred to profit or loss	(70)	(201)
<i>Revaluation reserve - Associates</i>		
Fair value changes	(21)	(16)
<i>Revaluation reserve - Cash flow hedges</i>		
Fair value changes	(1,450)	145
Transferred to profit or loss	1,459	7
<i>Revaluation reserve - Pensions</i>		
Fair value changes	(758)	(1,611)
<i>Non-controlling interests</i>		
Currency translation differences	(16)	(5)
Revaluation reserve - Available-for-sale financial assets	-	22
Total other comprehensive income	(1,336)	(1,380)
Total comprehensive income	676	678
Of which attributable to Rabobank Nederland and local Rabobanks	(391)	(554)
Of which attributable to holders of Rabobank Member Certificates	309	328
Of which attributable to Capital Securities	655	717
Of which attributable to Trust Preferred Securities III to VI	67	75
Of which attributable to other non-controlling interests	36	112
Total comprehensive income	676	678

Consolidated statement of changes in equity

In millions of euros	Equity of Rabobank Nederland and local Rabobanks	Equity instruments issued directly	Equity instruments issued by subsidiaries	Other non- controlling interests	Total
At 1 January 2013	25,311	13,786	1,576	1,407	42,080
Net profit	929	946	85	52	2,012
Total other comprehensive income:					
Foreign currency translation reserves	(412)	-	-	(16)	(428)
Revaluation reserve - Available-for-sale financial assets	(138)	-	-	-	(138)
Revaluation reserve - Associates	(21)	-	-	-	(21)
Revaluation reserve - Cash flow hedges	9	-	-	-	9
Revaluation reserve - Pensions	(758)	-	-	-	(758)
Total comprehensive income	(391)	946	85	36	676
Payment on Rabobank Member Certificates and Rabobank Certificates, Trust Preferred Securities III to VI and Capital Securities	-	(946)	(85)	-	(1,031)
Redemption of Capital Securities	(14)	(83)	-	-	(97)
Exchange of Rabobank Extra Member Bonds	-	225	-	-	225
Rabobank Member Certificates and Rabobank Certificates redeemed during the year	-	(2,074)	-	-	(2,074)
Rabobank Member Certificates and Rabobank Certificates issued during the year	-	1,000	-	-	1,000
Costs of issuance of Rabobank Member Certificates and Rabobank Certificates	(79)	-	-	-	(79)
Premium (Discount) in relation to Rabobank Member Certificates and Rabobank Certificates	(133)	-	-	-	(133)
Increase of share in structured finance deal	-	-	-	(360)	(360)
Other	(53)	(2)	(71)	(44)	(170)
At 31 December 2013	24,641	12,852	1,505	1,039	40,037
At 1 January 2012	26,500	14,259	1,566	2,676	45,001
Change in accounting policy IAS 19R	(882)	-	-	-	(882)
Net profit	843	1,027	93	95	2,058
Total other comprehensive income					
Foreign currency translation reserves	(249)	-	-	(5)	(254)
Revaluation reserve - Available-for-sale financial assets	327	-	-	22	349
Revaluation reserve - Associates	(16)	-	-	-	(16)
Revaluation reserve - Cash flow hedges	152	-	-	-	152
Revaluation reserve - Pensions	(1,611)	-	-	-	(1,611)
Total comprehensive income	(554)	1,027	93	112	678
Payment on Rabobank Member Certificates and Rabobank Certificates, Trust Preferred Securities III to VI and Capital Securities	-	(1,027)	(93)	-	(1,120)
Repurchase of Capital Securities	(26)	(522)	-	-	(548)
Increase of equity interests in Obvion and Bank BGZ	124	-	-	(591)	(467)
Disposal of Sarasin	-	-	-	(661)	(661)
Exchange of Rabobank Extra Member Bonds	-	225	-	-	225
Rabobank Member Certificates and Rabobank Certificates redeemed during the year	-	(167)	-	-	(167)
Other	149	(9)	10	(129)	21
At 31 December 2012	25,311	13,786	1,576	1,407	42,080

Consolidated statement of cash flows

	For the year ended 31 December	
In millions of euros	2013	2012
Cash flows from operating activities		
Operating profit before taxation from continuing operations	415	2,067
Operating profit before taxation from discontinued operations	1,719	233
Adjusted for:		
<i>Non-cash items recognised in operating profit before taxation</i>		
Depreciation	528	527
Depreciation of operating lease assets and investment properties	818	818
Value adjustments	2,643	2,350
Impairment on property activities	637	-
Result on sale of property and equipment	20	1
Income from associates	(157)	(255)
Fair value results on financial assets and liabilities at fair value through profit or loss	(232)	(872)
Gains (losses) on available-for-sale financial assets	(56)	(132)
Result from termination of DB scheme	(2,022)	-
Allowances	220	-
Non-cash items relating to discontinued operations	204	107
<i>Net change in operating assets</i>		
Due from and to other banks	(16,320)	(9,290)
Trading financial assets	64	3,662
Derivative financial instruments	25,591	(6,450)
Net change in other financial assets and liabilities at fair value through profit or loss	(3,053)	(2,827)
Loans to customers	16,005	(12,970)
Dividends received from associates and financial assets	95	84
<i>Net change in liabilities relating to operating activities</i>		
Derivative financial instruments and other trade liabilities	(24,520)	9,869
Due to customers	1,536	3,369
Debt securities in issue	(27,689)	7,144
Other debts	(2,464)	1,645
Income tax paid	(318)	(416)
Other changes	1,643	470
Net cash flow from operating activities	(24,693)	(866)
Cash flows from investing activities		
Acquisition of associates net of cash and cash equivalents acquired	(58)	(41)
Disposal of associates net of cash and cash equivalents	1	12
Acquisition of subsidiaries net of cash and cash equivalents acquired	-	3
Disposal of subsidiaries net of cash and cash equivalents	1,788	(297)
Acquisition of property and equipment and investment properties	(1,791)	(2,025)
Proceeds from sale of property and equipment	669	863
Acquisition of available-for-sale financial assets and held-to-maturity financial assets	(44,524)	(37,339)
Proceeds from sale and repayment of available-for-sale financial assets and held-to-maturity financial assets	44,167	36,974
Net cash flow from investing activities	252	(1,850)
Cash flows from financing activities		
Acceptance of Rabobank Certificates / Member Certificates	(2,788)	(594)
Sale of Rabobank Certificates / Member Certificates	1,465	430
Payments on Rabobank Member Certificates and Rabobank Certificates, Trust Preferred Securities III to VI and Capital Securities	(1,030)	(1,120)
Payments on Senior Contingent Notes and Rabo Extra Member Bonds	(86)	(102)
Redemption of Capital Securities	(83)	(522)
Increase of equity interests in Obvion and Bank BGZ	-	(467)
Proceeds from issue of subordinated debt	3,224	2,751
Repayment of subordinated debt	(733)	-
Net cash flow from financing activities	(31)	376
Net change in cash and cash equivalents	(24,472)	(2,340)
Cash and cash equivalents at beginning of year	68,103	70,430
Foreign exchange differences on cash and cash equivalents	(592)	13
Cash and cash equivalents at end of year	43,039	68,103
The cash flows from interest are included in the net cash flow from operating activities		
Interest income	19,961	22,154
Interest expense	11,009	12,866

Business segments

In millions of euros	Domestic retail banking	Wholesale banking and international retail banking	Asset management	Leasing	Real estate	Other segments	Consolidation effects/hedge accounting	Total
For the year ended on 31 December 2013								
Interest	5,605	2,617	(2)	973	322	(422)	-	9,093
Commission	1,319	637	3	52	32	(10)	(33)	2,000
Other income	616	793	2	545	(563)	1,544	(1,010)	1,927
Total income	7,540	4,047	3	1,570	(209)	1,112	(1,043)	13,020
Segment expenses	5,015	3,134	2	764	342	591	(83)	9,765
Value adjustments	1,384	568	-	170	513	8	-	2,643
Bank tax	90	75	-	9	8	14	1	197
Operating profit before taxation	1,051	270	1	627	(1,072)	499	(961)	415
Taxation	270	218	-	205	(257)	(129)	(239)	68
Net profit from continuing operations	781	52	1	422	(815)	628	(722)	347
Net profit from discontinued operations	-	-	80	-	-	1,585	-	1,665
Net profit	781	52	81	422	(815)	2,213	(722)	2,012
Business unit assets	376,241	486,763	1,276	33,128	27,593	71,252	(325,743)	670,510
Investments in associates	17	627	-	25	111	2,849	-	3,629
Total assets	376,258	487,390	1,276	33,153	27,704	74,101	(325,743)	674,139
Business unit liabilities	349,172	476,175	1,051	29,267	26,642	60,816	(309,021)	634,102
Total liabilities	349,172	476,175	1,051	29,267	26,642	60,816	(309,021)	634,102
Additions to property and equipment	160	28	-	1,420	13	38	-	1,659
Depreciation of tangible assets and amortisation of intangible assets	145	127	-	50	27	179	-	528
Impairment of tangible and intangible assets	2	52	-	-	-	12	-	66
Goodwill	322	599	-	460	-	-	-	1,381

In millions of euros	Domestic retail banking	Wholesale banking and international retail banking	Asset management	Leasing	Real estate	Other segments	Consolidation effects/hedge accounting	Total
For the year ended on 31 December 2012								
Interest	5,180	2,775	85	952	312	(133)	-	9,171
Commission	1,344	618	225	63	35	(14)	(43)	2,228
Other income	765	612	90	442	104	(372)	576	2,217
Total income	7,289	4,005	400	1,457	451	(519)	533	13,616
Segment expense	4,360	2,416	308	796	301	317	505	9,003
Value adjustments	1,329	621	(2)	147	237	18	-	2,350
Bank tax	91	60	2	9	8	26	-	196
Operating profit before taxation	1,509	908	92	505	(95)	(880)	28	2,067
Taxation	205	204	25	138	12	(433)	7	158
Net profit from continuing operations	1,304	704	67	367	(107)	(447)	21	1,909
Net profit from discontinued operations	-	-	149	-	-	-	-	149
Net profit	1,304	704	216	367	(107)	(447)	21	2,058
Business unit assets	386,039	529,778	11,369	32,737	27,920	82,021	(322,803)	747,061
Investments in associates	12	576	-	29	86	2,946	-	3,649
Total assets	386,051	530,354	11,369	32,766	28,006	84,967	(322,803)	750,710
Business unit liabilities	357,829	518,931	10,308	29,252	26,138	70,046	(303,874)	708,630
Total liabilities	357,829	518,931	10,308	29,252	26,138	70,046	(303,874)	708,630
Additions to property and equipment	181	60	2	1,650	1	98	-	1,992
Depreciation of tangible assets and amortisation of intangible assets	150	121	(2)	48	19	191	-	527
Impairment of tangible and intangible assets	9	-	-	-	-	15	-	24
Goodwill	322	737	-	464	-	-	-	1,523

Independent auditor's report

To the Executive Board and Supervisory Board of Rabobank Nederland

The 2013 annual figures set out on pages 140 to 147, which comprise the consolidated statement of financial position as at 31 December 2013, the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows and the condensed statement of business segments for the year then ended are derived from the audited consolidated financial statements of Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank Nederland), Amsterdam. We expressed an unqualified auditor's opinion on those financial statements in our auditor's report dated 24 February 2014.

The 2013 annual figures do not contain all disclosures required by International Financial Reporting Standards as adopted by the European Union and by Part 9 of Book 2 of the Dutch Civil Code. Reading the 2013 annual figures, therefore, is not a substitute for reading the audited consolidated 2013 financial statements of Rabobank Nederland.

Executive Board's responsibility

The Executive Board is responsible for the preparation of the 2013 annual figures in accordance with the audited consolidated 2013 financial statements and the accounting policies set out therein.

Auditor's responsibility

Our responsibility is to express an opinion on the 2013 annual figures based on our procedures, which were conducted in accordance with Dutch law, including the Dutch Standard on Auditing 810 'Engagements to report on summary financial statements'.

Opinion

In our opinion, the 2013 annual figures are consistent, in all material respects, with the audited consolidated 2013 financial statements of Rabobank Nederland and in accordance with the accounting policies set out therein.

Amsterdam, 24 February 2014

Ernst & Young Accountants LLP

/s/ C.B. Boogaart

Executive Board responsibility statement

The Executive Board of Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank Nederland) 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 Nederland, and the companies included in the consolidation;
- the management report gives a true and fair view of the state of affairs as at the reporting date, and of the course of affairs during the financial year at Rabobank Nederland and its affiliated entities whose information is included in its financial statements;
- the management report describes the principal risks that Rabobank Nederland faces.

M. Minderhoud, *Chairman*

A. Bruggink, *CFRO*

B.J. Marttin, *member*

R.J. Dekker, *member*

H. Nagel, *member*

Utrecht, the Netherlands, 24 February 2014

Glossary of terms

Source	Term	Explanation
←	BIS-ratio	Regulatory capital divided by risk-weighted assets.
←	Cash flow	Inflows and outflows of cash and cash equivalents.
←	Community banking	As part of a commitment to the community, making a positive impact on local communities by providing banking products and services.
←	Core tier 1 capital	Tier 1 capital exclusive of hybrid capital instruments.
←	Core tier 1 ratio	Tier 1 capital exclusive of hybrid capital related to risk-weighted assets.
←	Equity capital ratio	Retained earnings and Rabobank Member Certificates related to risk-weighted assets.
←	Funding	Funds used by the bank to finance its lending operations.
	GIIPS countries	Greece, Ireland, Italy, Portugal and Spain.
←	Hybrid capital	Capital including components of equity and liabilities, forming part of the bank's tier 1 capital.
	Liquidity ratio	The ratio of the remaining assets to the liabilities that will probably be or still are in the statement of financial position after assumed and precisely defined stress scenarios have materialised.
←	Liquidity risk	Liquidity risk is the risk that a bank will not be able to fulfil all its payment and repayment obligations on time, as well as the risk that it will at some time be unable to fund increases in assets at a reasonable price, if at all.
←	Liquidity	The extent to which a company is able to meet its payment commitments.
←	Loan-to-deposit ratio	Ratio of lending to due to customers.
←	OECD (or non-OECD)	Organisation for Economic Co-operation and Development. This is a collaborative arrangement between countries to discuss, examine and coordinate social and economic policies.
←	Regulatory capital	Tier 1 and tier 2 capital, being the bank's total capital treated as risk capital by the supervisory authority.
←	Return on equity	Net profit in relation to tier 1 capital as at 31 December of the previous financial year.
←	Risk-weighted assets	The assets of a financial institution multiplied by a weighting factor, set by the regulatory authorities, reflecting the relative risk relating to these assets. The minimum capital requirement is calculated based on the risk-weighted assets.
←	Solvency	A company's ability to meet its obligations.
	Under engagement	The active use of investors' rights to influence companies' policies.
←	Value at Risk (VaR)	Value at Risk (VaR) is used in calculating market risk, indicating the maximum loss to be incurred 'overnight' subject to a confidence level of 97.5%. The level of Value at Risk reflects market developments and the positions taken by the bank itself. As VaR is calculated on the basis of recent historical data, with the past twelve months being the reference period, VaR provides an indication under (fairly) normal market conditions.

Colophon

Published by

Rabobank Nederland Communications Departments

Disclaimer

This Annual Report is a translation of the Dutch Annual Reports. In the event of any conflict in interpretation, the Dutch original takes precedence.

About the Annual Report

Rabobank has integrated both the financial information and the key corporate social responsibility reporting information in the Annual Report 2013 Rabobank Group. The full corporate social responsibility reporting information is provided in the Sustainability Report 2013 Rabobank Group.

This Report is based on the Financial Statements, the Annual Report and other information of Rabobank Nederland, as referred to in Book 2, Part 9 of the Dutch Civil Code, among other documents. As required by law, these reports have been/will be filed at the offices of the Trade Registry under number 30.046.259 after the adoption of the Financial Statements of Rabobank Nederland by the Annual General Meeting. The Annual General Meeting is scheduled for 19 June 2014.

An independent auditor's report as referred to in Section 393, paragraph 5 of Book 2 the Dutch Civil Code has been issued on the Financial Statements of Rabobank Nederland. This report has been issued in the form of an unqualified opinion. In its report, the external auditor has not emphasised any specific matters. The chapter 'Report of the Supervisory Board of Rabobank Nederland' does not form part of the statutory Annual Report.

This Report has been prepared in accordance with the G3.1 Guidelines of the Global Reporting Initiative. The sustainability sections of this Report are based on the document entitled 'Sustainability Report 2013 Rabobank Group'. An independent external auditor has issued an assurance report on this document, including the sustainability facts and figures.

Annual Reporting

In 2014 Rabobank Group publishes the following annual reporting documents, both in English and in Dutch:

- Annual Summary 2013 Rabobank Group - Jaarbericht 2013 Rabobank Groep
- Annual Report 2013 Rabobank Group - Jaarverslag 2013 Rabobank Groep
- Consolidated Financial Statements 2013 Rabobank Group - Geconsolideerde jaarrekening 2013 Rabobank Groep
- Financial Statements 2013 Rabobank Nederland - Jaarrekening 2013 Rabobank Nederland
- Capital Adequacy and Risk Management Report 2013 (Pillar 3) - only in English
- Sustainability Report 2013 Rabobank Group - Duurzaamheidsverslag 2013 Rabobank Groep
- Interim Report 2014 Rabobank Group - Halfjaarverslag 2014 Rabobank Groep

Rabobank Group's annual reporting is online available on www.rabobank.com/annualreports and www.rabobank.com/jaarverslagen.

Materials used

The Rabobank Group uses environmentally friendly materials printing this document.

Contact

Rabobank Group has exercised the utmost care in compiling the information contained in this Annual Report. If you have any questions or wish to suggest any improvements to our reporting, please contact us at webmaster@rn.rabobank.nl.

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