Annual Summary 2013

Rabobank Group

Rabobank

Contents

The financial information set out on pages 60 to 67 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 appologised 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.

* The sustainability report will be available on the corporate website at the end of April 2014.

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.

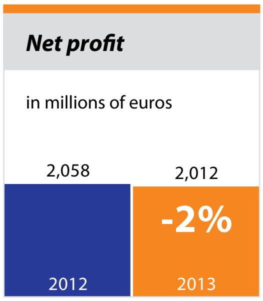
Rabobank is going through a transformation in response to changing customer behaviour, changing market conditions and revised regulatory requirements. Debates with customers, members, regulators and other stakeholders have given rise to questions about us and our culture. The Executive Board has therefore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

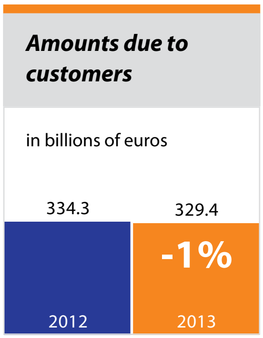
Rabobank's foundation is strong and its cooperative model continues to offer undiminished value as well as opportunities for our customers and members. By actively participating in local communities and by moving towards virtual banking in combination with premium quality services, Rabobank is helping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

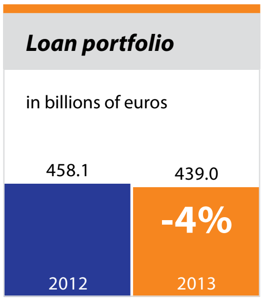
All employees of Rabobank are working hard to restore trust among our stakeholders.
Our mission of serving customers' interests is unchanged.

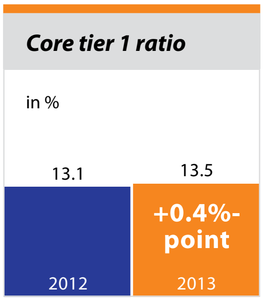
Rinus Minderhoud,
Chairman of the Executive Board of Rabobank Nederland

Key figures



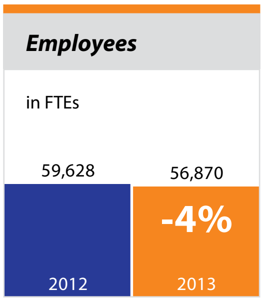


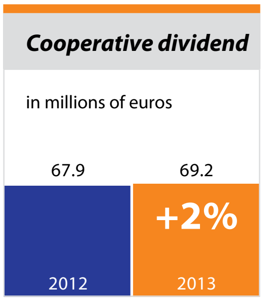


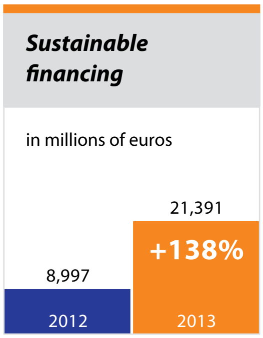


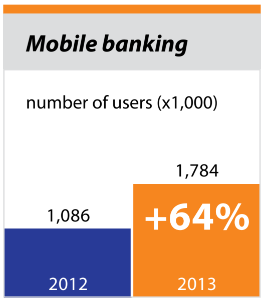
Amounts in millions of euros	31-12-2013	31-12-2012	31-12-2011	31-12-2010	31-12-2009
Volume of services					
Total assets	674,139	750,710	731,665	652,536	607,483
Private sector loan portfolio	438,975	458,091	448,337	436,292	415,235
Amounts due to customers	329,400	334,271	329,892	298,761	286,338
Financial position and solvency					
Equity	40,037	42,080	45,001	40,757	37,883
Tier I capital	35,092	38,358	37,964	34,461	32,152
Core tier I 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 ***	21,391	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.

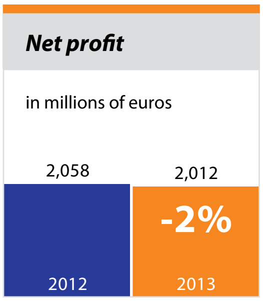
** The increase in Rabo Green Savings is attributable to the tax-privileged nature of this product.

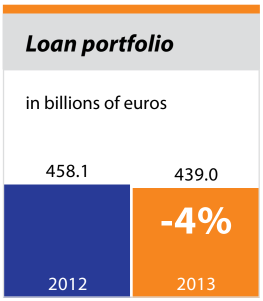
*** A different methodology and approach were applied for KPI 1 in 2013. Prior-year comparative figures are not available for all elements of sustainable financing. Possible limited overlaps of indicators cannot be excluded due to differences in classifications and definitions.

**** CO_2 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.

Rabobank Group at a glance



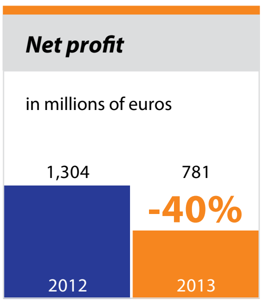


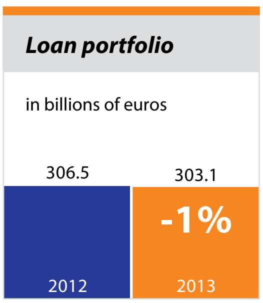
Rabobank Group

Rabobank Group is an international financial services provider operating on the basis of cooperative principles. It offers retail and business banking, private banking, wholesale banking, leasing and real estate services. As a cooperative bank, Rabobank focuses on treating customers fairly in the provision of its services. Rabobank is market leader in the Netherlands and focuses internationally on strengthening its leading position as a food and agri bank. Rabobank Group consists of autonomous local Rabobanks in the Netherlands and its umbrella organisation, the Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank Nederland) and its subsidiaries and associates in the Netherlands and abroad. Rabobank Group has approximately 56,900 FTE and is active in 41 countries.

Rabobank Group in 2013

The net result for Rabobank Group came to EUR 2,012 million, a decline of EUR 46 million compared to 2012. The sale of Robeco and the transition to the new pension scheme had a non-recurring positive effect on the result in 2013. The settlements in relation to the Libor investigations had a negative effect. The impairments on land holdings and real estate projects and the increase in the reorganisation provisions at the local Rabobanks also pressured the result, as did the lower result from hedge accounting and the higher value adjustments. Value adjustments were higher than in 2012, and amounted to EUR 2,643 million or 59 basis points of the average loan portfolio. Demand for loans was low, and mortgage repayments increased. Rabobank Group's private sector loan portfolio declined by EUR 19.1 billion, EUR 6.3 billion of which was due to the sale of Bank BGZ, to EUR 439 billion. Due to the sale of Bank BGZ amounts due to customers fell by EUR 4.9 billion to EUR 329.4 billion.



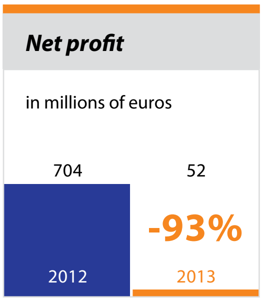


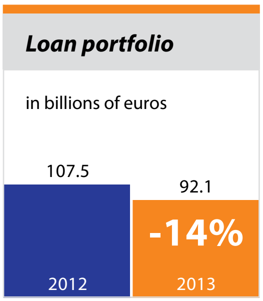
Services in the Netherlands

Rabobank Group is a prominent player in the mortgages, savings and insurance markets in the Netherlands. It is also the most important financial services provider for the SME segment, the food and agri sector and wholesale banking. The 129 autonomous local Rabobanks have 722 branches and 2,524 ATMs, and thus have the densest branch network and the most ATMs of any bank in the Netherlands. They serve approximately 7 million retail customers and approximately 800,000 corporate clients in the Netherlands, offering a comprehensive range of financial services. In addition to the local Rabobanks, the domestic retail banking division includes Obvion, Friesland Bank and Roparco. The total staff complement of the domestic retail banking division is approximately 27,000 FTE.

Services in the Netherlands in 2013

Although the recession came to an end in the second half of 2013, consumer confidence and business investment remained low. Repayments on retail residential mortgages also rose. Value adjustments, at EUR 1,384 million, were approximately 4% higher than in 2012. Our market share in trade, industry and services increased further to 44.1%, in mortgages the share fell to 26% and in savings there was a slight decline to 37.8%. The implementation of the Vision 2016 programme at the domestic retail banking division led to a planned reduction of around 1,700 FTE. The net result from the domestic retail banking division fell by 42% to EUR 781 million in 2013, partly due to the reorganisation provisions at the local Rabobanks.



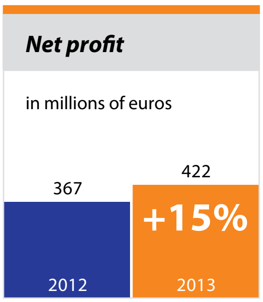


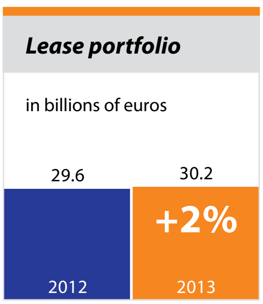
Wholesale banking and international retail banking

Rabobank International is part of Rabobank Group, and comprises the wholesale banking division and the international rural and retail banking division. Companies in the Netherlands with revenue of up to EUR 250 million are mainly served by local Rabobanks, supported by regional teams from Rabobank International Mid Corporates. The largest companies in the Netherlands are served directly by Rabobank International. Internationally, Rabobank focuses on its leading position in the food and agri sector, both in the industrial food and agri sector and the financing of farms in the key agricultural countries, such as Brazil, Australia, New Zealand and the United States.
Rabobank International has an extensive office network with branches in 30 countries, as well as direct banks (under the name of RaboDirect) in Belgium, Germany, Ireland, Australia and New Zealand. The total staff complement of the wholesale banking division and the international retail banking division is approximately 16,000 FTE.

Wholesale banking and international retail banking in 2013

The net result of the wholesale banking division and the international rural and retail banking division came to EUR 52 million in 2013. The decline of EUR 652 million in comparison to 2012 was mainly due to the settlements agreed by Rabobank after the Libor investigations. Without the settlement, the result would have been up on the year. The loan portfolio declined by EUR 15.4 billion. Loans that no longer fell into our core sectors were further reduced in 2013. Agreement was also reached regarding the sale of Bank BGZ. Completion of this transaction is subject to receipt of the necessary statutory approvals. These developments, in combination with the depreciation of various currencies including the US dollar and the Australian dollar, were significant factors in the decline of the overall loan portfolio. A decision was made for ACCBank in Ireland to reduce the regular service provision to clients and implement further reorganisation. Total savings at the international direct banks rose 23%, reaching EUR 29.1 billion.



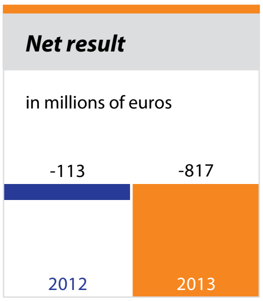


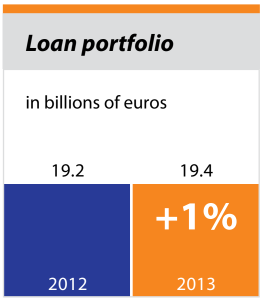
Leasing

De Lage Landen is responsible for Rabobank Group's leasing activities. The Vendor Finance division, which operates in 36 countries, supports manufacturers and distributors in the sale of their products and services. De Lage Landen is active in ten European countries through its international car leasing subsidiary Athlon Car Lease. In the Netherlands, De Lage Landen offers a broad range of leasing, trading and consumer finance products, with the latter being offered via channels including the online lender Freo. The staff complement of De Lage Landen numbers approximately 5,100 FTE.

Leasing in 2013

The net result of the leasing segment increased to EUR 422 million through moderate growth in the lease portfolio and a reduction in costs. The lease portfolio rose to EUR 30.2 billion, with the proportion of food and agri increasing to 30%. Value adjustments increased only slightly, as a result of the diversification of the portfolio across countries and sectors in combination with strict risk management. Bad debt costs amounted to 59 basis points of the average loan portfolio, 9 basis points under the long-term average.





Rabo Real Estate Group

Rabo Real Estate Group is the centre of real estate expertise for Rabobank Group. It operates various divisions, including: Bouwfonds Property Development, FGH Bank, Bouwfonds Investment Management, and Fondsenbeheer Nederland. Its core activities comprise the development of integrated residential areas, financing commercial real estate and providing property-related products to investors. The staff complement of Rabo Real Estate Group amounts to approximately 1,600 FTE. Rabo Real Estate Group operates chiefly in the Netherlands, France and Germany.

Rabo Real Estate Group in 2013

In the course of 2013 it became clear that the market recovery, especially in the Dutch real estate markets, would take longer than originally expected. This had a very negative impact on Rabo Real Estate Group's result. As a result of heavy impairments on land holdings, revaluations of land operations and the strong increase in value adjustments of claims in the financing business caused the net result to decline to a loss of EUR 817 million. The focus was on risk management and management of the loan portfolio and there was also close attention to cost reductions. The Collective Labour Agreement was tightened, and no variable remuneration was paid. It was also decided to phase out the commercial real estate development activities of MAB Development. Bouwfonds Property Development realised a total of 5,169 housing transactions, a decline of 18% compared to 2012. The loan portfolio at real estate financier FGH Bank remained more or less stable at EUR 19.4 billion and assets under management at Bouwfonds Investment Management rose to EUR 5.9 billion.

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

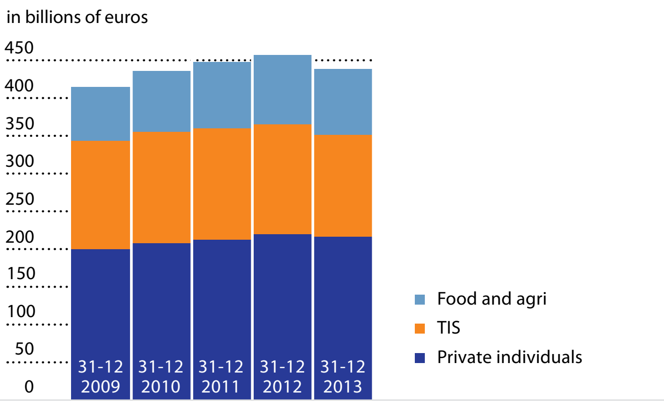
The acquisition of Robeco by the Japanese financial services provider Orix Corporation was completed in July 2013. The banking business of Robeco in the Netherlands has been transferred to Rabobank, with Robeco continuing to maintain the relationship with clients. Rabobank is retaining a shareholding 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

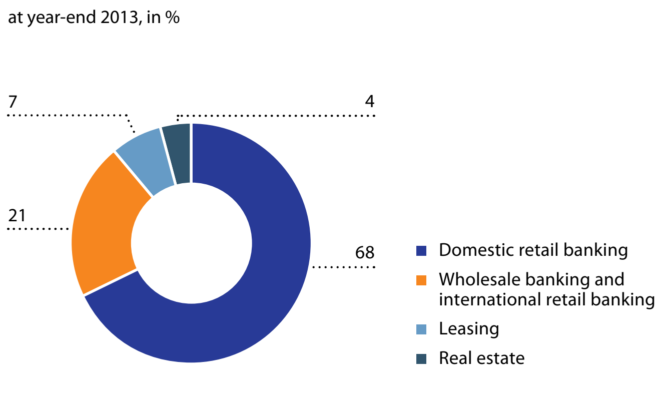
The Dutch economy emerged from a long period of recession in 2013. Dutch exports rose on the back of the pick-up in world trade. In the second half of the year there was (albeit very modest) economic growth. This does not mean that the problems in the Netherlands have been dealt with; domestic consumption 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.

Loan portfolio by sector



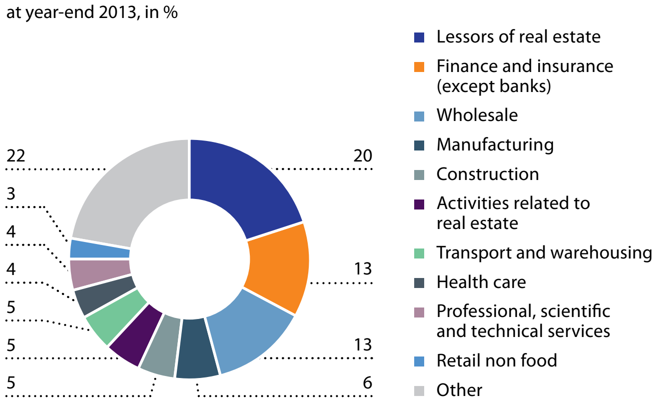
Loan portfolio by group entity



49% of the private sector loan portfolio consists of loans to retail customers, 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 private sector loan portfolio (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.

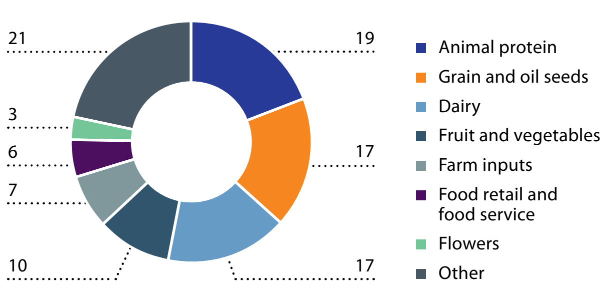
Loan portfolio TIS by industry

at year-end 2013, in %



Loan portfolio food and agri by industry

at year-end 2013, in %

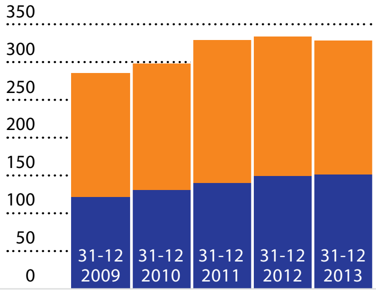


Slight fall in amounts due to customers

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.

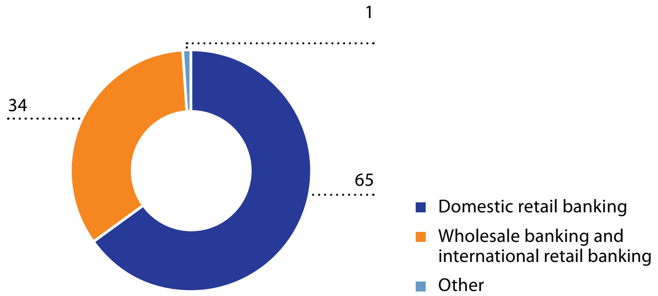
Amounts due to customers

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		
in billions of euros		
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

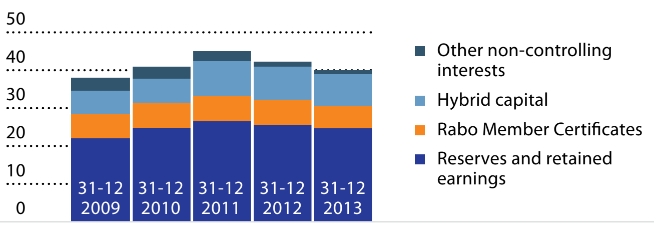
In early 2014, Rabobank increased the tradability of Rabobank Member Certificates by listing the certificates on the stock exchange and thereby making them available for trading to non-members. As a result of the listing on Euronext Amsterdam, supply and demand will be determined by a public market with 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.

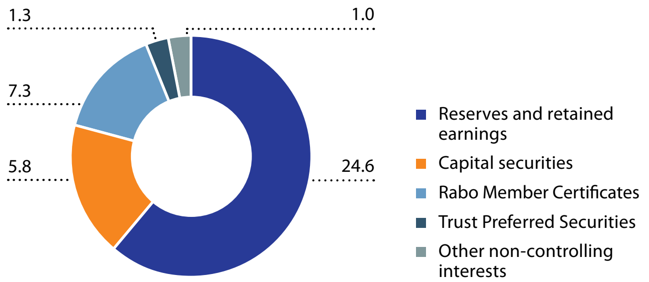
Equity

in billions of euros



Composition of equity

at year-end 2013, in billions of euros

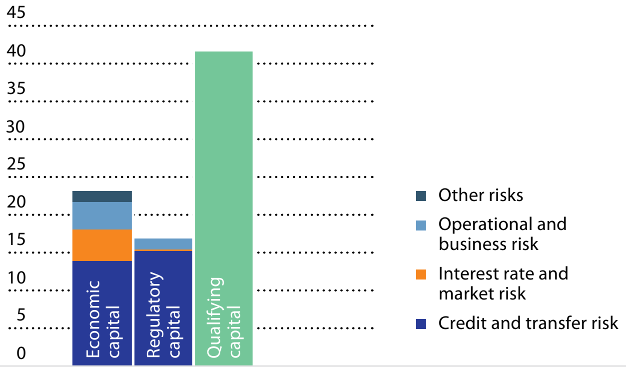


Of the revaluation reserve – pensions, which relates to the defined benefit plan placed with Stichting Rabobank Pensioenfonds and terminated in 2013 and the Robeco pension scheme, and taking account of the correction provision in 'Q&A on the Effects of the Pensions Reporting Standard (IAS 19 Revised) 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.

Capital requirements

at year-end 2013, in billions of euros



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.

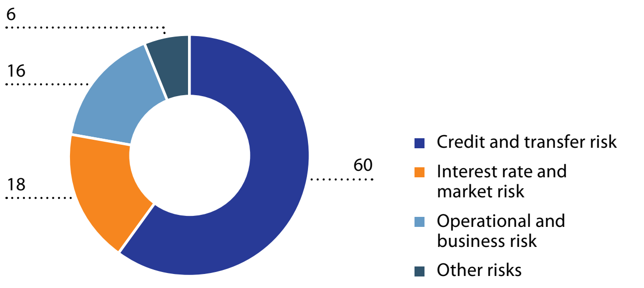
Rabobank Group calculates the regulatory capital for credit risk for virtually its entire loan portfolio on the basis of the Advanced Internal Rating Approach approved by DNB. The Standardised Approach is applied, in consultation with DNB, to portfolios with relatively limited exposure and to a few smaller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

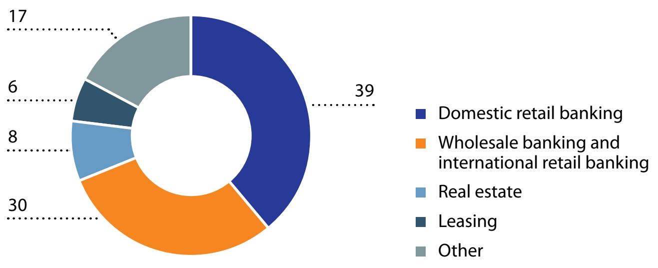
Economic capital by risk category

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

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

Resuls			
in millions of euros	2013	2012	Change
Interest	9,093	9,171	-1%
Fees and 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 form 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 (the financial statements will be available at the end of April 2014).

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.

amounts in billions of euros	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.

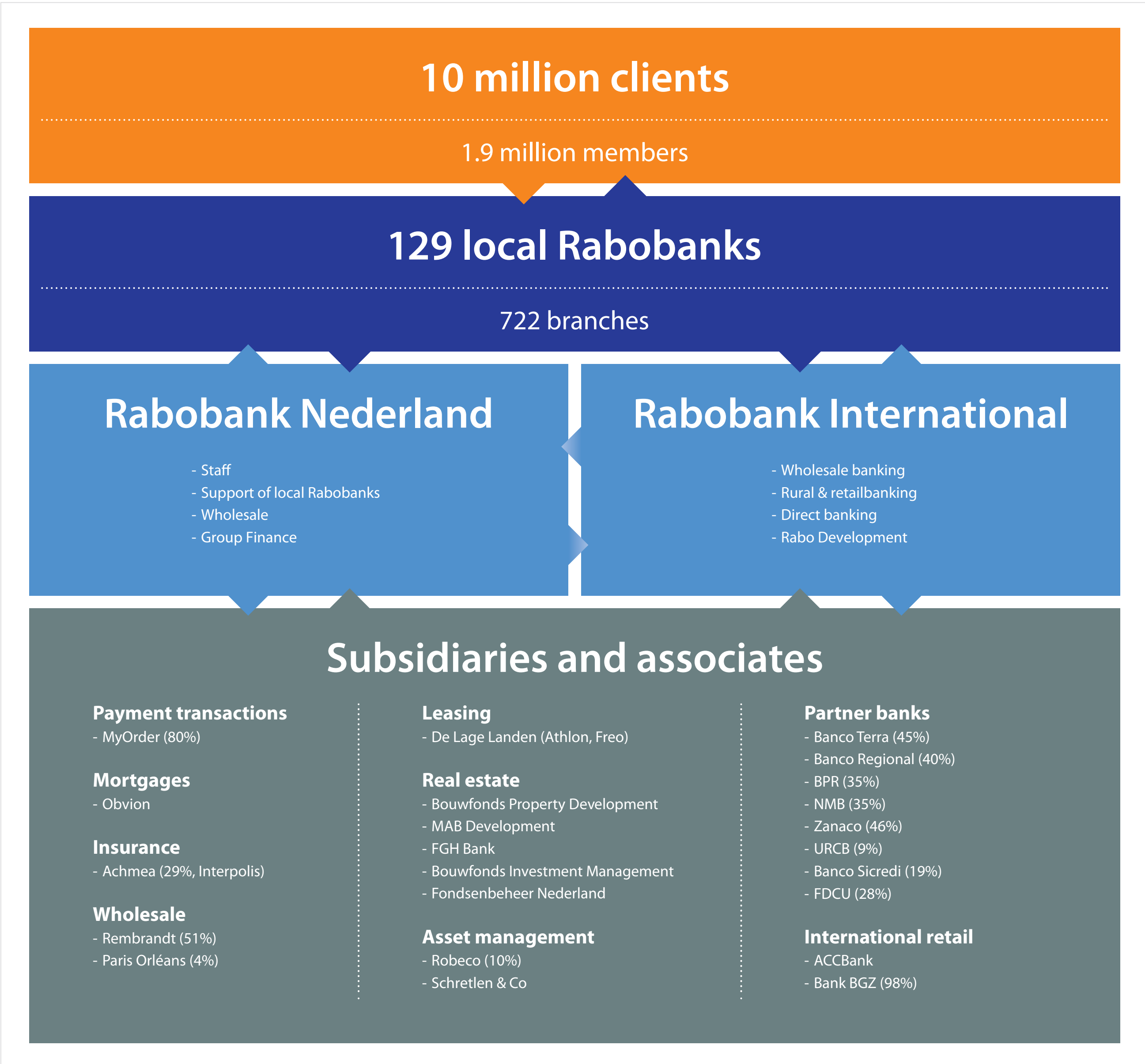
Financial targets Strategic Framework	Target for year-end 2016	Actual 2013	Contribution to target after 2013
Profitability			
Return on tier 1 capital	8%	5.2%	• EUR 1 billion cost savings at the domestic retail banking division. The staff complement at the local Rabobanks will decline by 8,000 FTE by 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%	• 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%	• 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

A detailed description of Rabobank and its business model is available on the corporate website.

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.

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 local Rabobanks (136). 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 employees (45,000) in the Netherlands and some 18,000 employees (19,000) 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 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 Rabobank 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.

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.

Agriculture and food supply

The world's population and consumption are growing continually. The earth now needs eighteen months to sustainably produce what we 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 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. In the Netherlands, Rabobank launched a cooperation in 2013 with FrieslandCampina. Internationally, the salmon farming project in Chile that was started in 2011 was developed further in 2013 and 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). 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. At the end of 2013, Rabobank and WWF agreed to renew their partnership to April 2017.

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.

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 the average loan portfolio. The market share in mortgages fell to 26%. 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

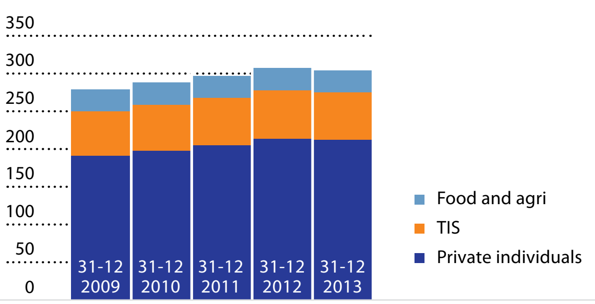
The core task is to protect the interests of the members and customers of the bank. Customers must be able to access all the normal financial products and services at Rabobank. It is moreover Rabobank's ambition to be the market leader in the Netherlands. Market leadership makes it possible to offer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

Loan portfolio by sector

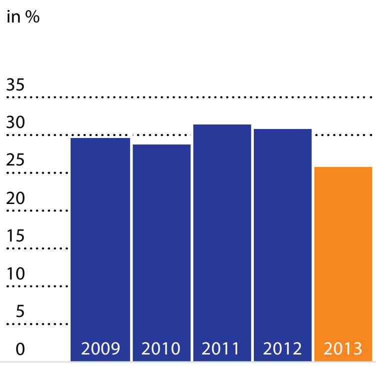
in billions of euros



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 amounted 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



Residential mortgages

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, intelligent 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 residential 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.

The Dutch residential mortgage portfolio		
amounts in millions of euros	2013	2012
Size of mortgage portfolio	209,142	209,593
Weighted average LTV	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%

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

Financial results of domestic retail banking

Results			
in millions of euros	2013	2012	Change
Interest	5,605	5,180	8%
Fees and 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**	
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	325.8	386.1	-16%
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 also 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 655 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 the average loan portfolio, 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, 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

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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.

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 strenghtening 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.

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 22% 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.

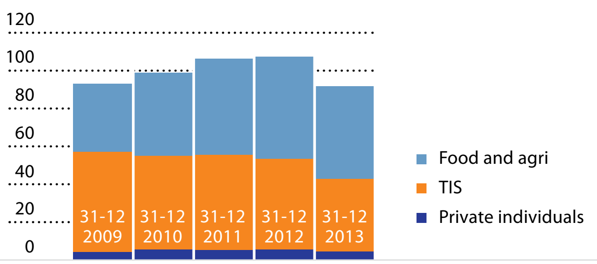
Increase in share of food and agri in the Rabobank International loan portfolio

The volume of lending provided to the food and agri sector came to EUR 49.5 (54.0) 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.

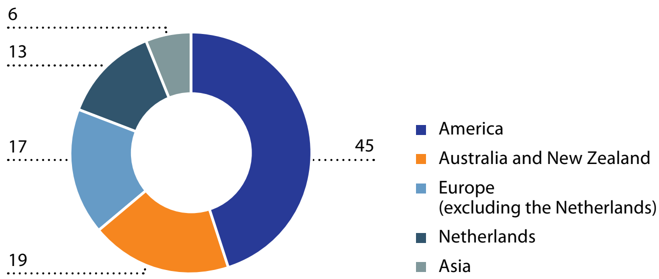
Loan portfolio by sector

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.

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.

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

Results			
in millions of euros	2013	2012	Change
Interest	2,617	2,775	-6%
Fees and 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	
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	537.8	530.4	1%
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 rural and 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 the average loan portfolio, 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 capital requirement 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

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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 year under review, 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.

There is no such thing as risk-free banking. Every day, Rabobank takes thoroughly considered decisions 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.

Rabobank's risk appetite framework defines the bank's risk strategy. This risk strategy is aimed at continuity and focuses on:
- protecting the bank's earnings and earnings growth;
- maintaining solid balance sheet ratios;
- protecting the bank's identity and reputation.

Credit risks

Credit risk and Basel II

Rabobank Group uses the Advanced Internal Rating Based (Advanced IRB) approach for credit risk. 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.

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. 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

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.

Impaired loans and allowance for loan losses

in millions of euros	31-12-13			
	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

in millions of euros	31-12-12			
	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%**

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 12,908 (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.

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.

Bad debt costs by group entity

in millions of euros	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

in basis points	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 third party. 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 adequate 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 Investment property portfolio.

in millions of euros	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**

in millions of euros	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 and also 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.

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. No impairments were recognised for the newly acquired bonds.

Government exposure at year-end 2013

Amounts in millions of euros					
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 balance sheet - may be adversely affected by fluctuations in money and capital market interest rates. The acceptance of a certain degree of interest rate risk is an essential part of banking operations and can be an important 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 purpose a gradual increase or decrease of the interest rate 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 CFO. 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 developments 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 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.
Income at Risk 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 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.

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.

Risk management framework
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 on 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 CFO.

Liquidity risk management is based on three pillars. The first pillar sets strict limits for the maximum cash outflow of 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 ensure the bank is prepared for potential 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 to pledge to central banks to obtain loans, 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 pledged to 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. This includes calculating the survival period for the liquidity position under extreme stress scenarios, both market specific and idiosyncratic. In all the internally used scenarios, Rabobank more than satisfies the determined minimum survival period of three months. Moreover following the Dutch Central Bank's guidelines on liquidity, our liquidity position qualifies as comfortable, and our liquidity buffer as sizable, with 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.

Excellent acces to funding

Access to funding		
in millions of euros	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
Nederland non-retail	**46,543**	**52,435**
- Private customers	10	12
- Businesses	46,533	52,423
Internationaal*	**67,580**	**67,294**
- Private customers *of which BGZ*	26,374 -	25,421 3,855
- Businesses *of which BGZ*	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.

The retail banking business is largely self-funding as it sources the funds required for lending from money raised from retail customer's. In 2013, the growth of funds entrusted by customers outpaced that of lending in retail banking. This contributed to a reduction of Rabobank's dependence on wholesale funding..

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 derives 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 sections on interest rate risks and currency risks.

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. Value at Risk, 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, Value at Risk 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 year under review, 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.

Besides Value at Risk, other risk indicators are also important for measuring market risk. 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

In millions of euros	31 December 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 year under review.

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.

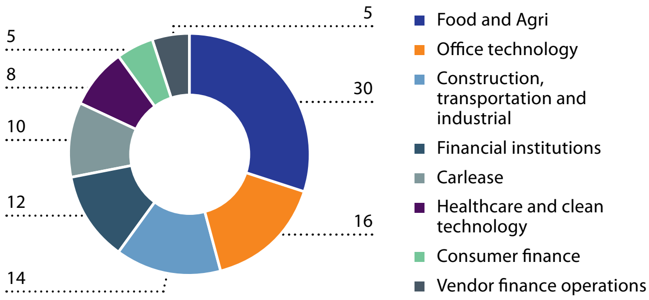
In order to meet local customer demand more effectively as an international organisation, De Lage Landen has adopted a matrix structure. This distinguishes the regions of the Americas and Europe-Asia Pacific and separates its sales organisation into the business units Construction, Transportation & Industry, 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.

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. 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.

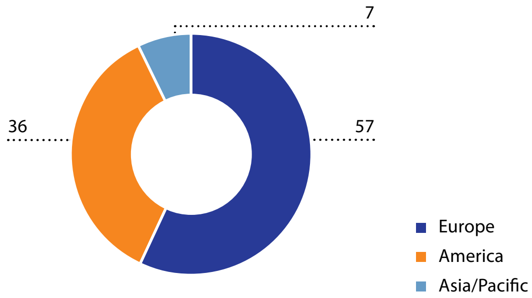
Lease portfolio by division

at year-end 2013, in %



Lease portfolio by region

at year-end 2013, in %



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

in millions of euros	2013	2012	Change
Interest	973	952	2%
Fees and 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*	
Loan 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 the average loan portfolio 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.

Financial results of real estate

Results			
in millions of euros	2013	2012	Change
Interest	322	311	4%
Fees and 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	
Profit Rabo Real Estate Group*	**-824**	**-108**	
Minority interest	-7	5	
Net profit Rabo Real Estate Group*	**-817**	**-113**	
Other	2	6	
Net profit 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 'Profit for the year Rabo Real Estate Group' and 'Net profit Rabo Real Estate Group' correspond to the financial results published by Rabo Real Estate Group itself. The item 'Net profit real estate division' 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. Bad debt costs at Rabo Real Estate Group amounted to EUR 513 (238) million. Expressed in terms of basis points of the average loan portfolio, 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.

Developments in remuneration

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.

	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 with the external market on the basis of two reference markets, one financial and one non-financial. The financial, sector-specific reference market was defined within an international/European context. 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. 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 benchmarking results show that the aggregate remuneration of the Executive Board is well below the median and therefore well below the reference markt. 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. All members of the Executive Board automatically participate in the group pension scheme administered by the Rabobank Pension Fund. The pension scheme was amended and subdued 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 PM 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 subdued 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.

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
Fees and 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 LC	309	328
Of which attributable to CS	655	717
Of which attributable to TPS	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):		
Foreign currency translation reserves		
Currency translation differences	(412)	(249)
Revaluation reserve - Available-for-sale financial assets		
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)
Revaluation reserve - Associates		
Fair value changes	(21)	(16)
Revaluation reserve - Cash flow hedges		
Fair value changes	(1,450)	145
Transferred to profit or loss	1,459	7
Revaluation reserve - Pensions		
Fair value changes	(758)	(1,611)
Non-controlling interests		
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 IV	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 IV 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
System change due to IAS 19R	(882)	-	-	-	(882)
	25,618	**14,259**	**1,566**	**2,676**	**44,119**
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 IV 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:		
Non-cash items recognised in operating profit before taxation		
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
Net change in operating assets		
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
Net change in liabilities relating to operating activities		
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)**
Net cash flow from investing 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
Net cash flow from financing activities	**(733)**	**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
Fees and 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	325,741	537,263	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	**325,758**	**537,890**	**1,276**	**33,153**	**27,704**	**74,101**	**(325,743)**	**674,139**
Business unit liabilities	299,172	526,175	1,051	29,267	26,642	60,816	(309,021)	634,102
Total liabilities	**299,172**	**526,175**	**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
Fees and 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

Colophon

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

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
- 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.

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Contact
Rabobank Group has exercised the utmost care in compiling the information contained in this Annual Summary. 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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