Consolidated Financial Statements 2013

Rabobank Group

Rabobank

Contents

General information

Rabobank Group (Rabobank) is an international financial services provider with roots as a cooperative organisation. Rabobank comprises 129 independent local Rabobanks (with a total of 722 branches) in the Netherlands, members of the central organisation Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank Nederland) and several specialised subsidiaries. Rabobank provides international services in retail banking, wholesale banking, leasing and real estate. Rabobank puts the common interest of individuals and communities first, and in our services we place a premium on adding value for customers. Our focus in the home market is on being the general market leader, while internationally we concentrate on expanding our leading position as a food and agri bank. Rabobank operates in a total of 41 countries and employs around 56,900 FTEs.

Rabobank Nederland is a cooperative whose capital is divided into shares. It is largely the product of a merger on 1 December 1972 of the two largest Dutch cooperative entities at the time. Rabobank Nederland has its registered office in Amsterdam and is established under Dutch law for an indefinite period. Rabobank Nederland is registered at the Trade Registry of the Chamber of Commerce under number 30046259. Membership of Rabobank Nederland is open to cooperative banks whose Articles of Association have been approved by Rabobank Nederland; they comprise the local Rabobanks.

The operations of Rabobank Nederland can roughly be divided into three categories. For one, it acts as a 'central bank' for local Rabobanks, which involves facilitating the establishment, viability and development of cooperative banks, as well as signing agreements with, negotiating about the rights of, and entering into obligations on behalf of, local Rabobanks (to the extent that these obligations have the same impact at all local Rabobanks). Second, by virtue of the law it has a supervisory and regulatory role in relation to the local Rabobanks, and third, it operates its own banking business, which is both complementary to and independent from the business operated by the local Rabobanks.

The latter constitute an organisation of cooperative entities established under and governed by Dutch law. As at 31 December 2013, the local Rabobanks had a total of around 1.9 million members.

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Consolidated statement of financial position

In millions of euros	Note	At 31 December 2013	At 31 December 2012
Assets			
Cash and cash equivalents	6	43,039	68,103
Due from other banks	7	40,844	35,386
Trading financial assets	8	5,289	6,387
Other financial assets at fair value through profit or loss	9	4,971	5,911
Derivative financial instruments	10	39,703	65,423
Loans to customers	11	460,202	485,299
Available-for-sale financial assets	12	46,411	50,425
Investments in associates	13	3,629	3,649
Intangible assets	14	1,991	2,343
Property and equipment	15	6,901	6,500
Investment properties	16	1,073	1,489
Current tax assets		190	597
Deferred tax assets	24	1,911	960
Other assets	17, 25	8,805	9,763
Non-current assets held for sale and discontinued operations	43, 44	9,180	8,475
Total assets		**674,139**	**750,710**

In millions of euros	Note	At 31 December 2013	At 31 December 2012
Liabilities			
Due to other banks	18	15,496	27,059
Due to customers	19	329,400	334,271
Debt securities in issue	20	195,361	223,336
Derivative financial instruments and other trade liabilities	10	50,171	74,800
Other debts	21, 25	7,436	11,166
Other financial liabilities at fair value through profit or loss	22	19,069	24,091
Provisions	23	972	752
Current tax liabilities		267	205
Deferred tax liabilities	24	290	186
Subordinated debt	26	7,815	5,407
Liabilities held for sale and discontinued operations	43, 44	7,825	7,357
Total liabilities		**634,102**	**708,630**
Equity			
Equity of Rabobank Nederland and local Rabobanks	28	24,641	25,311
Equity instruments issued directly			
Rabobank Member Certificates	29	5,823	6,672
Capital Securities	30	7,029	7,114
		12,852	**13,786**
Equity instruments issued by subsidiaries			
Capital Securities	30	236	236
Trust Preferred Securities III to VI	30	1,269	1,340
		1,505	**1,576**
Other non-controlling interests	31	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	Note	2013	2012
Interest income	32	19,756	21,965
Interest expense	32	10,663	12,794
Interest	32	**9,093**	**9,171**
Commission income	33	2,194	2,577
Commission expense	33	194	349
Commission	33	**2,000**	**2,228**
Income from associates	34	157	255
Net income from financial assets and liabilities at fair value through profit or loss	35	232	872
Gains (losses) on available-for-sale financial assets	12	56	132
Other results	36	1,482	958
Income		**13,020**	**13,616**
Staff costs	37	5,325	5,494
Other administrative expenses	38	3,912	2,982
Depreciation	39	528	527
Operating expenses		**9,765**	**9,003**
Value adjustments	40	2,643	2,350
Bank tax	41	197	196
Operating profit before taxation		**415**	**2,067**
Taxation	42	68	158
Net profit from continuing operations		347	1,909
Net profit from discontinued operations	43	1,665	149
Net profit		**2,012**	**2,058**
Of which attributable to Rabobank Nederland and local Rabobanks	28	929	843
Of which attributable to holders of Rabobank Member Certificates	29	309	328
Of which attributable to Capital Securities	30	655	717
Of which attributable to Trust Preferred Securities III to VI	30	67	75
Of which attributable to other non-controlling interests	31	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	Note	2013	2012
Net profit		2,012	2,058
Arising in the period (after taxation):			
Foreign currency translation reserves	28		
Currency translation differences		(412)	(249)
Revaluation reserve - Available-for-sale financial assets	28		
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	28		
Fair value changes		(21)	(16)
Revaluation reserve - Cash flow hedges	28		
Fair value changes		(1,450)	145
Transferred to profit or loss		1,459	7
Revaluation reserve - Pensions	28		
Fair value changes		(758)	(1,611)
Non-controlling interests	31		
Currency translation differences		(16)	(5)
Revaluation reserve - Available-for-sale financial assets		-	22
Total other comprehensive income		**(1,336)**	**(1,380)**
Total comprehensive income		**676**	**678**
Of which attributable to Rabobank Nederland and local Rabobanks		(391)	(554)
Of which attributable to holders of Rabobank Member Certificates		309	328
Of which attributable to Capital Securities		655	717
Of which attributable to Trust Preferred Securities III to VI		67	75
Of which attributable to other non-controlling interests		36	112
Total comprehensive income		**676**	**678**

Consolidated statement of changes in equity

In millions of euros	Note	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:	28					
Foreign currency translation reserves		(412)	-	-	(16)	(428)
Revaluation reserve - Available-for-sale financial assets		(138)	-	-	-	(138)
Revaluation reserve - Associates		(21)	-	-	-	(21)
Revaluation reserve - Cash flow hedges		9	-	-	-	9
Revaluation reserve - Pensions		(758)	-	-	-	(758)
Total comprehensive income		**(391)**	**946**	**85**	**36**	**676**
Payment on Rabobank Member Certificates and Rabobank Certificates, Trust Preferred Securities III to VI and Capital Securities		-	(946)	(85)	-	(1,031)
Redemption of Capital Securities	30	(14)	(83)	-	-	(97)
Exchange of Rabobank Extra Member Bonds	29	-	225	-	-	225
Rabobank Member Certificates and Rabobank Certificates redeemed during the year	29	-	(2,074)	-	-	(2,074)
Rabobank Member Certificates and Rabobank Certificates issued during the year	29	-	1,000	-	-	1,000
Costs of issuance of Rabobank Member Certificates and Rabobank Certificates	29	(79)	-	-	-	(79)
Premium (Discount) in relation to Rabobank Member Certificates and Rabobank Certificates	29	(133)	-	-	-	(133)
Increase of share in structured finance deal	31	-	-	-	(360)	(360)
Other		(53)	(2)	(71)	(44)	(170)
At 31 December 2013		**24,641**	**12,852**	**1,505**	**1,039**	**40,037**
At 1 January 2012		26,500	14,259	1,566	2,676	45,001
Change in accounting policy IAS 19R		(882)	-	-	-	(882)
		25,618	**14,259**	**1,566**	**2,676**	**44,119**
Net profit		843	1,027	93	95	2,058
Total other comprehensive income	28					
Foreign currency translation reserves		(249)	-	-	(5)	(254)
Revaluation reserve - Available-for-sale financial assets		327	-	-	22	349
Revaluation reserve - Associates		(16)	-	-	-	(16)
Revaluation reserve - Cash flow hedges		152	-	-	-	152
Revaluation reserve - Pensions		(1,611)	-	-	-	(1,611)
Total comprehensive income		**(554)**	**1,027**	**93**	**112**	**678**
Payment on Rabobank Member Certificates and Rabobank Certificates, Trust Preferred Securities III to VI and Capital Securities		-	(1,027)	(93)	-	(1,120)
Repurchase of Capital Securities	30	(26)	(522)	-	-	(548)
Increase of equity interests in Obvion and Bank BGZ	31	124	-	-	(591)	(467)
Disposal of Sarasin	31	-	-	-	(661)	(661)
Exchange of Rabobank Extra Member Bonds	29	-	225	-	-	225
Rabobank Member Certificates and Rabobank Certificates redeemed during the year	29	-	(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	Note	2013	2012
Cash flows from operating activities			
Operating profit before taxation from continuing operations		415	2,067
Operating profit before taxation from discontinued operations	44	1,719	233
Adjusted for:			
Non-cash items recognised in operating profit before taxation			
Depreciation	39	528	527
Depreciation of operating lease assets and investment properties	15, 16	818	818
Value adjustments	40	2,643	2,350
Impairment on property activities		637	-
Result on sale of property and equipment		20	1
Income from associates	34	(157)	(255)
Fair value results on financial assets and liabilities at fair value through profit or loss	35	(232)	(872)
Gains (losses) on available-for-sale financial assets	12	(56)	(132)
Result from termination of DB scheme	25	(2,022)	-
Allowances		220	-
Non-cash items relating to discontinued operations		204	107
Net change in operating assets			
Due from and to other banks	7, 18, 43	(16,320)	(9,290)
Trading financial assets	8, 35	64	3,662
Derivative financial instruments	10	25,591	(6,450)
Net change in other financial assets and liabilities at fair value through profit or loss	9, 22, 43	(3,053)	(2,827)
Loans to customers	11, 43	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	10	(24,520)	9,869
Due to customers	19, 43	1,536	3,369
Debt securities in issue	20	(27,689)	7,144
Other debts	21, 43	(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	13	(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	44	1,788	(297)
Acquisition of property and equipment and investment properties	15, 16	(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	12	(44,524)	(37,339)
Proceeds from sale and repayment of available-for-sale financial assets and held-to-maturity financial assets		44,167	36,974
Net cash flow from investing activities		**252**	**(1,850)**
Cash flows from financing activities			
Acceptance of Rabobank Certificates / Member Certificates	29	(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	30	(83)	(522)
Increase of equity interests in Obvion and Bank BGZ		-	(467)
Proceeds from issue of subordinated debt		3,224	2,751
Repayment of subordinated debt		(733)	-
Net cash flow from financing activities		**(31)**	**376**
Net change in cash and cash equivalents		**(24,472)**	**(2,340)**
Cash and cash equivalents at beginning of year		68,103	70,430
Foreign exchange differences on cash and cash equivalents		(592)	13
Cash and cash equivalents at end of year		**43,039**	**68,103**
The cash flows from interest are included in the net cash flow from operating activities			
Interest income		19,961	22,154
Interest expense		11,009	12,866

Notes to the consolidated financial statements

1 Basis of consolidation

Rabobank Group (Rabobank) comprises the local Rabobanks (Members), the central cooperative Rabobank Nederland and a number of specialised subsidiaries. Rabobank Nederland advises the Members and assists them in the provision of their services. Rabobank Nederland also supervises the local Rabobanks by virtue of the Dutch Financial Supervision Act (Wet op het financieel toezicht). Furthermore, under the same Act, the Dutch Ministry of Finance has designated Rabobank Nederland as a holder of a collective license for purposes of conduct-of-business supervision.
Rabobank's cooperative structure has several executive levels, each with its own duties and responsibilities. In annual financial reporting terms, Rabobank Nederland exercises control over the local Rabobanks. The consolidated financial statements of Rabobank include the financial information of Rabobank Nederland and that of the Members and other group companies.

2 Accounting policies

The main accounting policies used in preparing these consolidated financial statements are explained below.

2.1 General

The consolidated financial statements of Rabobank have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

New and amended standards issued by the IASB and endorsed by the European Union, applicable to the financial year under review

IFRS 13 Fair Value Measurement

This standard contains a single IFRS framework for determining fair value and a detailed guideline for fair value measurement of both financial and non-financial assets and liabilities. IFRS 13 applies if another IFRS requires or permits fair value measurements or disclosure regarding such measurements. The main impact on Rabobank of IFRS 13 concerns the measurement of derivatives, whereby counterparty risk must be taken into account. For assets, Rabobank previously used mainly historical data in order to estimate this risk, including CDS curves and Monte Carlo simulations. Another factor taken into account was Rabobank's own credit rating – for the impact, see paragraph 2.1.1. IFRS 13 is also resulting in more disclosure requirements – see, in particular, paragraph 4.9, 'Fair values of financial assets and liabilities'. This standard became effective on 1 January 2013.

IAS 1 Presentation of Financial Statements – Presentation of Comprehensive Income Items

This amendment, which took effect on 1 January 2013, represents only a change in presentation. In the consolidated statement of comprehensive income, the unrealised gains which will not be taken to the profit or loss account are presented separately.

IAS 19R Employee Benefits

In June 2011, the International Accounting Standards Board (IASB) published improvements to the accounting requirements for post-employment benefits. The amendments are significant and can be summarised as follows.

- Pension surpluses and shortfalls must be fully included in the balance sheet, taking into account the asset ceiling. The previous deferral mechanism known as the corridor approach has been removed. The actuarial gains and losses, remeasurements as they are named in the amended IAS 19 standard, must be recognised in other comprehensive income as they occur rather than in profit or loss, and are not allowed to be reclassified to profit or loss subsequently.
- Past-service costs will need to be recognised when a plan is amended. Unvested benefits can no longer be spread over the vesting period.
- Annual expense for a funded benefit plan will include net interest expense or income, calculated by applying the discount rate to the net defined benefit asset or liability at the start of the year.
- Short and long-term benefits will now be distinguished based on the expected timing of settlement, rather than employee entitlement.
- Medium and long-term remuneration plans must be recognised and measured in the same way as pensions. However, all actuarial gains and losses and past-service costs will continue to be recorded in profit or loss.
- A termination benefit is now recognised at the earlier of:
  - when the entity recognises costs for a restructuring within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets that includes the payment of termination benefits; and
  - when the entity can no longer withdraw the offer of the termination benefits.
- Additional disclosures are required to present the characteristics of benefit plans, the amounts recognised in the financial statements and the risks arising from defined benefit plans and multi-employer plans.

IFRS 7 Financial Instruments: Disclosures/IAS 32 Financial Instruments: Presentation – Offsetting of financial assets and financial liabilities

The amendment to IFRS 7 is designed to make the provision of additional quantitative data regarding the offsetting of financial assets and financial liabilities mandatory, to ensure that users are better able to compare and align the data provided in connection with IFRS and the data provided based on the Generally Accepted Accounting Principles (GAAP) in the United States. This amendment became effective 1 January 2013 and does not affect profit or loss or equity.

IAS 12 Income Taxes – Deferred Tax: Recovery of Underlying Assets

The objective of the amendments to IFRS 12 is to introduce a new exemption to the accounting principle set out in IAS 12, in the form of a refutable assumption that the book value of a property investment would be realised through sale and that an entity would be required to apply the tax rate applicable to the underlying asset. This amendment became effective 1 January 2013 and does not affect the profit or loss or equity.

Amendments to IFRS 1 Government Loans

The amendment to IFRS 1 concerns the treatment of government loans with interest rates below the market interest rates by first time adopters of IFRS. On the transition date to IFRS, all government loans must be classified as financial obligations or as equity instruments in accordance with IAS 32 – Financial Instruments: Presentation. This amendment does not apply to Rabobank.

Improvements to International Financial Reporting Standards cycle 2009-2011

The objective of the improvements is to address non-urgent, but necessary issues discussed by the IASB during the project cycle that began in 2009 on areas of inconsistencies in IFRS or where clarification of wording is required. Three of the improvements, namely the amendments to Appendix D of IFRS 1, International Accounting Standard (IAS) 16, and IAS 34, are clarifications or corrections of the respective standards. The other three improvements, namely the amendments to IFRS 1, IAS 1, and IAS 32, involve changes to the existing requirements or additional guidance on the implementation of those requirements.

New and amended standards issued by the IASB and endorsed by the European Union, but not yet applicable to the financial year under review

IFRS 10 Consolidated Financial Statements

This standard supersedes the consolidation rules of the current IAS 27 and SIC 12. IFRS 10 has important consequences for the consideration as to when a company has control over another entity. The potential impact of the changes is currently being assessed. Current expectations are that the consolidation scope will not change materially. The standard applies effective 1 January 2014.

IFRS 11 Joint Arrangements

The IASB issued a standard regarding joint ventures in May 2011, which supersedes IAS 31 and SIC 13. The proportional consolidation of joint ventures is no longer authorised. Any interests in joint ventures must be accounted for using only the equity method. This amendment achieves closer convergence with US GAAP. The remaining rules are largely identical to IAS 31. While this guideline does not affect profit or equity, it does have an impact on the composition of the profit and will result in a limited balance sheet reduction. This standard applies effective 1 January 2014.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 aims to enable users of financial statements to assess the purpose and associated risks of interests held in other entities, as well as the effects of those interests on the financial position, results and cash flows. This pertains to additional disclosures and has no effect on results or equity. The standard applies effective 1 January 2014.

Amendments to IFRS 10, IFRS 11 and 12 – Transition Guidance

The objective of these amendments to IFRS 10 – The Consolidated Financial Statements, IFRS 11 – Joint Arrangements and IFRS 12 – Disclosure of Interests in Other Entities, is to simplify the transition to the new standards. The information concerning the specific notes required by IAS 8.20 is limited to the most recent comparative period. This amendment applies effective 1 January 2014.

Amendments to IFRS 10, IFRS 12 and IAS 27 – Investment Entities

IFRS 10 has been amended in order to better reflect the business model of investment entities. It requires that investment entities measure their subsidiaries at fair value through profit or loss rather than consolidate them. IFRS 12 has been amended in order to require specific disclosure about such subsidiaries of investment entities. The amendments to IAS 27 also eliminated the option for investment entities to measure investments in certain subsidiaries either at cost or at fair value in their separate financial statements. This amendment, which has little impact on Rabobank, applies effective 1 January 2014.

IAS 27 Separate Financial Statements

This is a reissue of IAS 27. The consolidation requirements formerly included in IAS 27 are now included in IFRS 10. The amended standard is intended for the separate financial statements of entities also preparing consolidated financial statements. The standard has no impact on Rabobank's consolidated financial statements and applies effective 1 January 2014.

IAS 28 Investments in Associates

IAS 28 lays down accounting requirements for investments in associates and describes the requirements for recognising investments in associates and joint ventures in accordance with the equity method of accounting. The standard has no impact on profit or equity and applies effective 1 January 2014.

Amendments to IAS 39 Financial Instruments: Novation of Derivatives and Continuation of Hedge Accounting
The objective of the amendments is to provide relief in situations where a derivative, which has been designated as a hedging instrument, is novated from one counterparty to a central counterparty as a consequence of laws or regulations. Such a relief means that hedge accounting can continue irrespective of the novation which, without the amendment, would not be permitted. This standard, which does not affect profit or equity, applies effective 1 January 2014.

Amendments to IAS 36 Impairment of Assets
The objective of these amendments is to clarify that the scope of disclosures of information about the recoverable amount of assets, where this amount is based on fair value less costs of disposal, is limited to impaired assets, if this recoverable amount is based on fair value less costs of disposal. This amendment applies effective 1 January 2014.

New standards issued by the IASB, but not yet endorsed
Amendments to IAS 19 Employee benefits: employee contributions
Improvements to International Financial Reporting Standards cycle 2010-2012
Improvements to International Financial Reporting Standards cycle 2011-2013
IFRIC Interpretation 21 – Levies

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

IFRS 9 Financial Instruments
The various components of IFRS 9 – Financial Instruments were issued over the past few years, which were originally applicable effective 2015. However, in November 2013, the International Accounting Standards Board decided to amend this standard and to defer the compulsory application of IFRS 9 until a date to be specified. The application of IFRS 9 may have a significant impact on profit or loss and capital; this is currently being investigated.

The consolidated financial statements have been prepared on the basis of the accounting policies outlined below.
The remaining assets and liabilities are accounted for on a historical cost basis, unless otherwise stated.

Unless otherwise stated, all amounts in these financial statements are in millions of euros.

2.1.1 Changes in accounting policies and presentation
The amended standard IAS 19 was applied retrospectively and its effect on comparative figures is shown below.

in millions of euros	31 December 2012	1 January 2012
Effect of IAS 19R on equity		
Equity prior to the implementation of the amended standard	44,627	45,001
Increase in deferred tax liabilities	339	-
Decrease in other assets	(2,039)	(1,175)
Increase in other liabilities	(1,216)	-
Increase in liabilities held for sale and discontinued operations	(141)	-
Decrease in deferred tax liabilities	510	293
	(2,547)	**(882)**
Equity after the implementation of the amended standard	**42,080**	**44,119**

The adjusted balance sheet prior to the amendment to IAS 19 effective 1 January 2012 is included in Note 52, ‘Balance sheet as at 1 January 2012’.

In addition, the fact that the banking activities of Robeco are no longer classified as discontinued operations has an effect on the comparative figures contained in the profit or loss account. Additional information on the sale of Robeco is included in Note 44, 'Acquisitions and disposals'. The table below shows the effect of the changes specified on the profit or loss account and the statement of comprehensive income.

Effect of IAS 19R and Robeco on the consolidated profit or loss account

in millions of euros	2012 before amendment	IAS 19R	Robeco Direct	2012 adjusted
Interest income	21,702	44	219	21,965
Interest charges	12,606	-	189	12,794
Interest	**9,097**	**44**	**30**	**9,171**
Commission income	2,553	-	24	2,577
Commission expense	347	-	2	349
Commision	**2,206**		**22**	**2,228**
Income from associates	255	-	-	255
Net income from financial assets and liabilities at fair value through profit or loss	823	-	49	872
Gains/(losses) on available-for-sale financial assets	114	-	18	132
Other income	957	-	1	958
Income	**13,452**	**44**	**120**	**13,616**
Staff costs	5,325	116	53	5,494
Other administrative expenses	2,979	-	3	2,982
Depreciation	527	-	-	527
Operating expenses	**8,831**	**116**	**56**	**9,003**
Value adjustments	2,350	-	-	2,350
Bank tax	196	-	-	196
Operating profit before taxation	**2,075**	**(72)**	**64**	**2,067**
Taxation	160	(18)	16	158
Net profit from continuing operations	**1,915**	**(54)**	**48**	**1,909**
Net profit from discontinued operations	197	-	(48)	149
Net profit	**2,112**	**(54)**	**-**	**2,058**
Of which attributable to Rabobank Nederland and local Rabobanks	897	(54)	-	843
Of which attributable to holders of Rabobank Member Certificates	328	-	-	328
Of which attributable to Capital Securities	717	-	-	717
Of which attributable to Trust Preferred Securities III to VI	75	-	-	75
Of which attributable to other non-controlling interests	95	-	-	95
Net profit	**2,112**	**(54)**	**-**	**2,058**

Effect of IAS 19R of the statement of comprehensive income

	2012
Total comprehensive income prior to the implementation of the amended standard	231
Recalculation of the pension obligation	(2,148)
Tax effect	537
Total comprehensive income after the implementation of the amended standard	**(1,380)**

In the consolidated statement of comprehensive income, the non-realised gains that will not be taken to the profit or loss account will be presented separately as a result of an amendment to IAS 1. The new standard IFRS 13 has been applied prospectively; its impact on Rabobank is that a new method for estimating the counterparty risk of derivatives has been applied from 1 January 2013. As a result, the item 'Derivatives' has declined by 79 on the asset side and by 64 on the liability side of the balance sheet. The other results have declined by the same amount in the consolidated profit or loss account.

The comparative figures in the consolidated statement of cash flows have been adjusted because cash flows relating to the receipt and sale of Rabobank (Member) Certificates were included in cash flows from business activities instead of under cash flows from financing activities.

Other amendments to the notes to the consolidated financial statements

In Note 11 to the consolidated financial statements for 2012, 'Loans to customers', the fair value of available financial assets held for sale reclassified by loans is erroneously presented 530 too low. The fair value has been adjusted from 3,464 to 3,994. In addition, in paragraph 4.9, 'Fair values of financial assets and liabilities', the derivatives and other trading liabilities in category 1 are erroneously presented too low. The derivatives and other trading liabilities have been adjusted in category 1 from 2,054 to 2,406 and in category 2 from 72,625 to 72,273. In note 5, 'Business segments', goodwill relating to the sale of Bouwfonds is erroneously presented in the 'property' segment rather than the Retail Banking Business segment. In Note 11, 'Loans to customers', the collective value adjustments effective 31 December 2012 were increased by an amount of 95, while the specific value adjustments were reduced by the same amount.

2.1.2 Judgements and estimates

The preparation of the financial statements requires management to make estimates and assumptions that affect the amounts reported for assets and liabilities, the reporting of contingent assets and liabilities at the date of the financial statements, as well as the amounts reported for income and expenses during the reporting period. The situations that are assessed based on available financial data and information mainly concern the determination of the fair value of assets and liabilities and impairments. Although management based their estimates on the most careful assessment of the current circumstances and activities, the actual results might deviate from these estimates. Due to weaker market conditions for both residential and commercial real estate and the limited number of transactions, there is increased uncertainty regarding property valuation (i.e. land holdings, work in progress, completed developments and property investments) and property financing. Property valuation is subject to a number of different assumptions and valuation methods. The use of different assumptions and methods may, due to the subjective nature involved, result in different outcomes. These financial statements have been prepared on the basis of the going concern assumption as there are no indications of Rabobank's inability to continue as a going concern.

2.2 Group financial statements

2.2.1 Subsidiaries

The subsidiaries and other entities (including special purpose entities over which Rabobank exercises control, directly or indirectly) are consolidated. The assets, liabilities and results of these entities are consolidated in full. Subsidiaries are consolidated from the date on which Rabobank obtains control, and cease to be consolidated on the date that this control ends. All intra-group transactions, balances and unrealised gains and losses on transactions between Rabobank Group subsidiaries are eliminated for consolidation purposes.

Internal liability (cross-guarantee system)

In accordance with the Dutch Financial Supervision Act (Wet op het financieel toezicht), various legal entities belonging to Rabobank Group are internally liable under an intragroup mutual keep well system. Under this system the participating entities are bound, in the event of a lack of funds of a participating entity to satisfy its creditors, to provide the funds necessary to allow such deficient participant to satisfy its creditors.

The participating entities are:
- The local Rabobanks of Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A.;
- Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank Nederland), Amsterdam;
- Rabohypotheekbank N.V., Amsterdam;
- Raiffeisenhypotheekbank N.V., Amsterdam;
- Schretlen & Co N.V., Amsterdam;
- De Lage Landen International B.V., Eindhoven;
- De Lage Landen Financiering B.V., Eindhoven;
- De Lage Landen Trade Finance B.V., Eindhoven; and
- De Lage Landen Financial Services B.V., Eindhoven.

2.2.2 Joint ventures
The interests of Rabobank in entities where control is shared are consolidated proportionally. With this method, Rabobank includes its share of the income and expenses, assets and liabilities, and cash flows of the various joint ventures in the relevant items of its financial statements.

2.2.3 Investments in associates
Investments in associates are recognised in accordance with the equity method. With this method, Rabobank's share of the profits and losses of an associate – subject to Rabobank's accounting policies – (after the acquisition) is recognised in profit or loss, and its share of the changes in reserves after the acquisition is recognised in reserves. The cumulative changes after acquisition are adjusted to the cost of the investment. Associates are entities over which Rabobank has significant influence and in which it usually holds between 20% and 50% of the voting rights but over which it does not exercise control. Unrealised gains on transactions between Rabobank and its associates are eliminated in proportion to the size of Rabobank's interest in the associates. Unrealised losses are also eliminated unless the transaction indicates that an impairment loss should be recognised on the asset transferred.
Investments by Rabobank in associates include the goodwill acquired. If Rabobank's share in the losses of an associate equals or exceeds its interest in the associate, Rabobank will not recognise any more losses of the associate unless Rabobank has given undertakings or made payments on behalf of this associate.

2.3 Derivative financial instruments and hedging
2.3.1 General
Derivative financial instruments generally comprise foreign exchange contracts, currency and interest rate futures, forward rate agreements, currency and interest rate swaps, and currency and interest rate options (written as well as acquired). Derivative financial instruments might be traded on an exchange or as over-the-counter (OTC) instruments between Rabobank and a client. All derivative financial instruments are recognised at fair value. The fair value is determined using listed market prices, prices offered by traders, cash flow discounting models and option valuation models based on current market prices and contracted prices for the underlying instruments, as well as the time value of money, yield curves and the volatility of the underlying assets and liabilities. All derivative financial instruments are included under assets if their fair value is positive and under liabilities if their fair value is negative.
Derivative financial instruments that are embedded in other financial instruments are treated separately if their risks and characteristics are not closely related to those of the underlying derivative contract and this contract is not classified as at fair value through profit and loss.

2.3.2 Instruments not used for hedging
If Rabobank enters into derivatives for trading purposes, realised and unrealised gains and losses are accounted for under 'Income from financial assets and liabilities at fair value through profit and loss'.

2.3.3 Hedging instruments

Rabobank also uses derivative financial instruments as part of asset and liability management to manage its interest rate risks, credit risks and foreign currency risks. Rabobank makes use of the possibilities provided by the EU through the carve-out in IAS 39. The carve-out facilitates the application of fair value portfolio hedge accounting to certain positions.

On the date of concluding a derivative contract, Rabobank can designate certain derivative financial instruments as (1) a hedge of the fair value of an asset or liability in the statement of financial position (fair value hedge), as (2) a hedge of future cash flows attributable to an asset or liability in the statement of financial position, an expected transaction or a firm commitment (cash flow hedge), or as (3) a hedge of a net investment in a foreign entity (net investment hedge). Hedge accounting can be applied for derivative financial instruments designated in this manner if certain criteria are met.

The criteria derivative financial instruments must satisfy to be recognised as hedging instruments include the following:

- formal documentation of the hedging instrument, the hedged item, the objective of the hedge, the hedging strategy and the hedge relationship before applying hedge accounting;
- the hedge is expected to be effective (in a range of 80% to 125%) in offsetting changes in the hedged item's fair value or cash flows attributable to the hedged risks during the entire reporting period;
- the hedge is continuously effective from inception onwards.

Changes in the fair value of derivative financial instruments that are designated as fair value hedges and are effective in relation to the hedged risks are recognised in profit or loss, together with the corresponding changes in the fair value of the assets or liabilities hedged against the risks in question.

If the hedge no longer meets the criteria for hedge accounting (according to the fair value hedge model), any adjustment to the carrying amount of a hedged interest-bearing financial instrument is amortised through profit or loss until the end of the hedged period.

Any adjustment to the carrying amount of a hedged equity instrument is recognised as equity until disposal of the equity instrument (net investment hedge).

Changes in the fair value of derivative financial instruments that are designated and qualify as cash flow hedges and that are effective in relation to the hedged risks are recognised in the hedging reserve included under 'Equity' (see note 10). The non-effective part of the changes in the fair values of the derivative financial instruments is recognised in profit and loss.

If the forecast transaction or the non-current liability results in the recognition of a non-financial asset or a non-financial liability, any deferred gain or loss included in equity is restated to the initial carrying amount (cost) of the asset or the liability. In all other cases, deferred amounts included in equity are taken to the statement of income and are classified as income or expenses in the periods in which the hedged non-current liability or the forecast transaction had an effect on profit and loss.

Certain derivative contracts, although they are economic hedges in relation to the managed risk positions taken by Rabobank, do not qualify for hedge accounting under the specific IFRS rules. These contracts are therefore treated as derivative financial instruments held for trading.

The fair value of derivative financial instruments held for trading and hedging purposes is disclosed in note 10: 'Derivative financial instruments and other trade liabilities'.

2.3.4 Trade Liabilities

Trade liabilities are mainly negative fair values of derivative financial instruments and delivery obligations arising on short selling of securities. Securities are sold short to realise gains from short-term price fluctuations. The securities needed to settle the short selling are acquired through securities leasing or sale and securities repurchase agreements. Securities sold short are recognised at fair value at the reporting date.

2.4 Financial assets held for trading

Financial assets held for trading are financial assets acquired with the objective of generating profit from short-term fluctuations in prices or traders' margins, or financial assets that form part of portfolios characterised by patterns of short-term profit participation.

Financial assets held for trading are measured at fair value based on listed bid prices. All related comprehensive income is included under 'Income from financial assets and liabilities at fair value through profit or loss'. Interest earned on financial assets is recognised as interest income.
Dividends received on financial assets held for trading are recognised as 'Income from financial assets and liabilities at fair value through profit and loss'.
All acquisitions and sales of financial assets held for trading which require delivery within a time limit prescribed under the regulations or in accordance with market conventions are accounted for on the transaction date.

2.5 Other financial assets and liabilities at fair value through profit or loss

Rabobank has opted to classify financial instruments not acquired or entered into for realising gains from short-term fluctuations in traders' prices or margins at fair value through profit or loss. These financial assets, including venture capital, are carried at fair value.
Management designates financial assets and liabilities to this category upon initial recognition if any or all of the following criteria are met:

- such a designation eliminates or substantially reduces any inconsistent treatment that would otherwise have arisen upon measurement of the assets or liabilities or recognition of profits or losses on the basis of different accounting policies;
- the assets and liabilities belong to a group of financial assets and/or financial liabilities that are managed and assessed on the basis of their fair value in accordance with a documented risk management or investment strategy;
- the financial instrument contains an embedded derivative financial instrument, unless the embedded derivative financial instrument does not significantly affect the cash flows or if it is evident, after limited analysis or no analysis at all, that separate recognition is not required.

Interest earned on assets with this classification is recognised as interest income and interest due on liabilities with this classification is recognised as interest expense. Any other realised and unrealised gains and losses on revaluation of these financial instruments at fair value are included under Income from other financial assets and liabilities at fair value through profit or loss. All purchases and sales of other financial assets and liabilities at fair value through profit or loss that have to be delivered within a period prescribed by regulations or market convention are recognised at the transaction date.

2.6 Day 1 profit

If, at the time a financial instrument is entered into, valuation methods are used at fair value, a discrepancy may arise between the transaction price and fair value. Such a discrepancy is referred to as 'day 1 profit'. Rabobank immediately accounts for this profit under 'Income from financial assets and liabilities at fair value through profit or loss', if the valuation method is based on observable inputs (of active markets). If non-observable inputs are used, the day 1 profit is amortised over the term of the transaction and accounted for as 'Other liabilities'. Profit is then taken at a subsequent stage if the financial instrument concerned has been sold or the data entered has become visible at a later stage.

2.7 Available-for-sale financial assets

Management determines the classification of financial assets on the date of acquisition, depending on the purpose for which the investments are acquired.
Financial assets that are intended to be held indefinitely and that could be sold for liquidity purposes or in response to changes in interest rates, exchange rates or share prices are classified as available for sale.
Available-for-sale financial assets are initially recognised at fair value, including transaction costs, based on quoted bid prices or values derived from cash flow models. The fair values of unlisted equity instruments are estimated based on appropriate price/earnings ratios, adjusted to reflect the specific circumstances of the respective issuers. Any unrealised gains and losses from changes in the fair value of available-for-sale financial assets are recognised in equity unless they relate to amortised interest. If such financial assets are disposed of, the adjustments to fair value are recognised in profit and loss.

At each reporting date, management assesses whether there are objective indications of impairment of available-for-sale assets. Examples of objective evidence for value adjustments are:

- significant financial difficulties on the part of the issuer;
- default in making interest and/or redemption payments;
- the disappearance of active markets for the financial asset caused by financial difficulties.

Equity instruments are impaired if their cost permanently exceeds their recoverable amount, i.e. their fair value is permanently or significantly lower than their cost. The recoverable amount of investments in unlisted equity instruments is determined using approved valuation methods, whereas the recoverable amount of listed financial assets is determined on the basis of market value. Impairment of equity instruments is never subsequently reversed through profit or loss.

Debt instruments are impaired if there are objective indications that the fair value has decreased to such a degree that no reasonable assumptions can be made that the value will recover to carrying amount in the foreseeable future.

In the event of impairment, the cumulative loss is determined by the difference between cost and current fair value, less any previously recognised impairment transferred from the revaluation reserve in equity to profit or loss. If the impairment of a debt instrument diminishes in a subsequent period and the diminution can be objectively attributed to an event that occurred after the impairment, the impairment is reversed through profit or loss.

All purchases and sales made in accordance with standard market conventions for available-for-sale financial assets are recognised at the transaction date. All other purchases and sales are recognised at the settlement date.

2.8 Repurchase agreements and reverse repurchase agreements

Financial assets that are sold subject to related sale and repurchase agreements are included in the financial statements under 'Trading financial assets' and 'Available-for-sale financial assets'. The liability to the counterparty is included under Due to other banks or Due to customers, depending on the application.

Financial assets acquired under reverse sale and reverse repurchase agreements are recognised as Due from other banks, or Loans to customers, depending on the application. The difference between the selling price and repurchasing price is recognised as interest income or interest expense over the term of the agreement, based on the effective interest method.

2.9 Securitisations and other derecognition constructions

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

A financial asset (or a portion of it) is derecognised if:

- the rights to the cash flows from the asset expire;
- the rights to the cash flows from the asset and a substantial portion of the risks and benefits of ownership of the asset are transferred;
- a commitment to transfer the cash flows from the asset is presumed and a substantial portion of the risks and benefits are transferred;
- not all the economic risks and benefits are retained or transferred; however, control over the asset is transferred.

A financial liability or part thereof is derecognised if it ceases to exist, i.e. after the contractual obligation has been fulfilled or cancelled or has expired.

If Rabobank retains control over the asset but does not retain a substantial portion of the risks and benefits, the asset is recognised in proportion to the continuing involvement of Rabobank. A related liability is also recognised to the extent of Rabobank's continuing involvement. The recognition of changes in the value of the liability corresponds to the recognition of changes in the value of the asset.

If a transaction does not meet the above conditions for derecognition, it is recognised as a loan for which security has been provided.

To the extent that the transfer of a financial asset does not qualify for derecognition, the transfer does not result in Rabobank's contractual rights being separately recognised as derivative financial instruments if recognition of these instruments and the transferred asset, or the liability arising on the transfer, were to result in double recognition of the same rights or obligations.
Gains and losses on securitisations and sale transactions depend partly on the previous carrying amounts of the financial assets transferred. These are allocated to the sold and retained interests based on the relative fair values of these interests at the date of sale. Any gains and losses are recognised through profit or loss at the time of transfer.
The fair value of the sold and retained interests is based on quoted market prices or calculated as the present value of the future expected cash flows, using pricing models that take into account various assumptions such as credit losses, discount rates, yield curves, payment frequency and other factors.
Rabobank decides whether the SPE should be included in the consolidated financial statements. For this purpose, it performs an assessment of the SPE by taking a number of factors into consideration, including the activities, decision-making powers and the allocation of the benefits and risks associated with the activities of the SPE.

2.10 Cash and cash equivalents

Cash equivalents are highly liquid short-term investments held to meet current obligations in cash, rather than for investments or other purposes. Such investments have remaining terms of less than 90 days at inception. Cash equivalents are readily convertible to known amounts of cash and subject to an insignificant risk of changes in value.

2.11 Netting of financial assets and liabilities

Financial assets and liabilities are set off and the net amount is transferred to the statement of financial position if a legal right to set off the recognised amounts exists and it is intended to settle the expected future cash flows on a net basis, or to realise the asset and settle the liability simultaneously. This mainly concerns netting of current account balances and derivative financial instruments. The set-off of taxes is discussed in note 2.24.

2.12 Foreign currencies

2.12.1 Foreign entities

Items included in the financial statements of each entity in Rabobank Group are carried in the currency that best reflects the economic reality of the underlying events and circumstances that are relevant for the entity (the functional currency).
The consolidated financial statements are presented in euros, which is the parent company's functional currency.
Gains, losses and cash flows of foreign entities are translated into the presentation currency of Rabobank at the exchange rates ruling at the transaction dates, which is approximately equal to the average exchange rates. Assets and liabilities are translated at closing rates. Translation differences arising on the net investments in foreign entities and on loans and other currency instruments designated as hedges of these investments are recognised in equity. If a foreign entity is sold, any such translation differences are recognised in profit or loss as part of the gain or loss on the sale.
Goodwill and fair value adjustments arising on the acquisition of a foreign entity are recognised as assets and liabilities of the foreign entity and are translated at the closing rate.

2.12.2 Foreign-currency transactions

Transactions in foreign currencies are translated into the functional currency at the exchange rates ruling at the transaction dates. Translation differences arising on the settlement of such transactions or on the translation of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss. Translation differences qualifying as net investment hedges are recognised in equity.

Translation differences on debt securities and other monetary financial assets carried at fair value are included under foreign exchange gains and losses. Translation differences on non-monetary items such as equity instruments held for trading are recognised as part of the fair value gains or losses. Translation differences on available-for-sale non-monetary items are included in the revaluation reserve reported under 'Equity'.

2.13 Interest

Interest income and expense for all interest-bearing instruments is recognised in profit or loss on an accrual basis, with the effective interest method being applied. Interest income includes coupons relating to fixed-interest financial assets and trading financial assets, as well as the cumulative premiums and discounts on government treasury securities and other cash equivalent instruments. If any loans suffer impairment losses, they are written down to their recoverable amounts and the interest income recognised henceforth is based on the original discount rate for calculating the present value of the future cash flows used to determine the recoverable amounts. Interest income on derivative financial instruments held for trading and used as economic hedges is presented separately under interest income.

2.14 Commissions

Income from asset management activities consists mainly of unit trust, fund management commission and administration. Income from asset management and insurance brokerage is recognised as earned once the services have been provided.
Commission is generally recognised on an accrual basis. Commission received for negotiating a transaction, or taking part in the negotiations, on behalf of third parties, for example the acquisition of a portfolio of loans, shares or other securities, or the sale or purchase of companies, is recognised at completion of the underlying transactions.

2.15 Loans to customers and due from other banks

Loans to customers and Due from other banks are non-derivative financial instruments with fixed or defined payments, not listed on an active market, apart from such assets that Rabobank classifies as trading, at fair value on initial recognition with changes recognised through profit or loss, or as available for sale. Loans to customers and receivables are initially recognised at fair value, including transaction costs, and subsequently carried at amortised cost, including transaction costs.
Loans are subject to either individual or collective impairment analyses. A value adjustment, a provision for expected losses on loans, is recognised if there is objective evidence that Rabobank will not be able to collect all amounts due under the original terms of the contract. The size of the provision is the difference between the carrying amount and the recoverable amount, which is the present value of the expected cash flows, including amounts recoverable under guarantees and sureties, discounted at the original (average) effective rate of interest of the loans.
The provision for loans includes losses if there is objective evidence that losses are attributable to some portions of the loan portfolio at the reporting date.
Examples of objective evidence for value adjustments are:

- significant financial difficulties on the part of the borrower;
- default in making interest and/or redemption payments on the part of the borrower;
- loan renegotiations;
- possibility of bankruptcy of or financial reorganisation at the borrower;
- changes in borrowers' payment status; and
- changes in economic circumstances that could cause the borrower to default.

For each separate business unit, the losses are estimated based on the credit ratings of the borrowers and the value of the collateral provided to the bank, and taking into account the actual economic conditions under which the borrowers conduct their activities. The carrying amount of the loans is reduced through the use of a provision account, based on what the bank considers the most likely scenario, and the loss is taken to the statement of income. Write-offs of provisions for expected loan losses are made as soon as the enforcement process is completed, the security provided has been realised, when virtually no other means of recovery are

available and in the event of a formal cancellation of a debt. Where there is virtually no perspective of the debtor being able to continue as a going concern, a provision for expected loan losses is written off at portfolio level, up to the amount deemed uncollectible. Any amounts subsequently collected are included under the item 'Value adjustments' in the statement of income.
As soon as the prospects for continuity have recovered and arrears have been cleared as agreed, the loan is no longer considered impaired (not fully collectible). Management continually assesses these renegotiated loans to ensure that all criteria are satisfied with a view to expected future cash flows.
At each reporting date, management assesses whether there is objective evidence that reclassified loans previously recognised as available-for-sale assets have been impaired. For exposures classified as corporate exposures under CRD III, exposures are measured in accordance with the 'one debtor' principle. This principle entails that the approved limit for a debtor applies to the sum of all exposures – including derivatives, guarantees and the like – of the debtor group in which the debtor has been classified. Debtor groups include all debtors who form part of the economic entity in which legal entities and companies are affiliated with the same organisation. In addition, the majority shareholders also form part of the economic entity. The 'one debtor' principle applies across all entities; the exposures of the debtor group must be included for all group divisions.

2.16 Intangible assets

2.16.1 Goodwill

Goodwill is the amount by which the acquisition price paid for a subsidiary or associate exceeds the fair value on the acquisition date of Rabobank's share of the net assets and the contingent liabilities of the entity acquired. Upon each acquisition, the other minority interests are recognised at fair value or at the proportion of the identifiable assets and liabilities of the acquired entity. Impairment tests are performed annually or – if indications so dictate – more frequently to determine whether impairment has occurred.

2.16.2 Software development costs

Costs related to the development or maintenance of software are recognised as an expense at the time they are incurred. Costs directly incurred in connection with identifiable and unique software products over which Rabobank has control and that will probably provide economic benefits exceeding the costs for longer than a year are recognised as intangible assets. Direct costs include the employee expenses of the software development team, financing and an appropriate portion of the relevant overhead.
Expenditures that improve the performance of software compared with their original specifications are added to the original cost of the software. Software development costs are recognised as assets and amortised on a straightline basis over a period not exceeding five years.

2.16.3 Other intangible assets

Other intangible assets are mainly those identified upon business combinations. They are amortised over their terms. Each year, Rabobank performs an impairment test based on expected future cash flows.
An impairment loss is recognised if the expected future profits do not justify the carrying amount of the asset.

2.16.4 Impairment losses on goodwill

Each year, during the fourth quarter of the financial year, or more frequently if indications of impairment exist, goodwill is tested for impairment by comparing the recoverable amount with the carrying amount. The highest of value in use on the one hand and fair value less selling costs on the other determines the recoverable amount. The definition of cash flow generating units depend on the type of company acquired.
The value in use of a cash flow generating unit is arrived at by determining the present value of the expected future cash flows of the cash flow generating unit in question at the interest rate before tax.
The major assumptions used in the cash flow model depend on the input data which reflect different financial and economic variables, such as the risk-free interest rate in a country and a premium reflecting the inherent risk of the entity concerned. The variables are determined subject to review by management. Impairments of goodwill are included in 'Other income' in the statement of income.

2.16.5 Impairment losses on other intangible assets

At each reporting date, Rabobank assesses whether there are indications of impairment of other intangible assets. If such indications exist, impairment testing is carried out to determine whether the carrying amount of the other intangible assets is fully recoverable. An impairment loss is recognised if the carrying amount exceeds the recoverable amount. Goodwill and software under development are tested for impairment each year at the reporting date or more frequently if indications of impairment exist. Impairment losses and reversed impairments of other intangible assets are included in 'Other administrative expenses' in the statement of income.

2.17 Property and equipment

2.17.1 Property and equipment for own use

Equipment (for own use) is recognised at historical cost net of accumulated depreciation and impairments if applicable. Property (for own use) represents mainly offices and is also recognised at cost less accumulated depreciation and impairments if applicable.

Straightline deprecation is applied to these assets in accordance with the schedule below. Each asset is depreciated to its residual value over its estimated useful life:

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

Each year, Rabobank assesses whether there are indications of impairment of property and equipment. If the carrying amount of an asset exceeds its estimated recoverable amount, the carrying amount is written down immediately to the recoverable amount. Impairment losses and reversed impairments of property and equipment are included in Other administrative expenses in the statement of income. Gains and losses on the disposal of items of property and equipment are determined in proportion to their carrying amounts and taken into account when determining the operating result.

Repair and maintenance work is charged to profit or loss at the time the relevant costs are incurred. Expenditures on extending or increasing the benefits from land and buildings compared with their original benefits are capitalised and subsequently depreciated.

2.18 Investment properties

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

2.19 Other assets

2.19.1 Work in progress

Work in progress is included in Other assets. Work in progress relates to commercial real estate projects as well as sold and unsold housing projects under construction or planned and is carried at cost plus allocated interest, net of provisions as necessary. Instalments invoiced to buyers and customers are deducted from work in progress. If the balance for a project is negative (the amount of the invoiced instalments exceeds the capitalised costs), the balance of that project is recognised as Other liabilities.

Gains and losses are recognised based on the percentage of completion method given the continuous transfer of ownership involved. In the course of the construction work, Rabobank transfers the control and the material risks and benefits of the ownership of the work in progress in its current state to the buyer as construction progresses

2.19.2 *Building sites*

Building sites are valued at cost, including interest allocated and additional costs relating to site acquisition and preparation. No interest is allocated for land which has no specific designation under the zoning plan, if there is no certainty that the land will be developed. The price of land does not include the conditional requirement which depends on a future reclassification of the land in question. For losses expected upon the sale of the land, the book value of the site is subject to impairment.

2.20 Leasing

2.20.1 *Rabobank as lessee*

Leases relating to property and equipment under which virtually all risks and benefits of ownership are transferred to Rabobank are classified as finance leases. Finance leases are capitalised at the inception of the lease at the fair value of the leased assets or at the present value of the minimum lease payments if the present value is lower. Lease payments are apportioned between the lease liability and the finance charges, so as to achieve a constant rate of interest on the remaining balance of the liability. The corresponding lease liabilities are included under Other liabilities, after deduction of finance charges. The interest components of the finance charges are recognised in profit or loss over the term of the lease. An item of property and equipment acquired under a lease agreement is depreciated over the useful life of the asset or, if shorter, the term of the lease.
Leases under which a considerable portion of the risks and benefits of ownership of the assets is retained by the lessor are classified as operating leases. Operating lease payments (less any discounts by the lessor) are charged to profit or loss on a straightline basis over the term of the lease.

2.20.2 *Rabobank as lessor*

Finance leases

If assets are leased under a finance lease, the present value of the lease payments is recognised as a receivable under Due from other banks or Loans to customers. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised as interest income over the term of the lease using the net investment method, which results in a constant rate of return on the investment.

Operating leases

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

2.21 Provisions

Provisions are recognised if Rabobank has a present obligation (legal or constructive) as a result of a past event, if it is probable that an outflow of resources will be required to settle the obligation and if a reliable estimate can be made of the amount of the obligation. If Rabobank expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only if the reimbursement is virtually certain. The provisions are carried at the discounted value of the expected future cash flows.

2.21.1 *Restructuring*

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

2.21.2 *Tax and legal issues*

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

2.21.3 *Other provisions*

This item includes provisions for onerous contracts, credit guarantees and obligations under the terms of the deposit guarantee scheme.

2.22 Employee benefits

Rabobank has various pension plans in place based on the local conditions and practices of the countries in which it operates. In general, the plans are financed by payments to insurance companies or trustee administered funds. The payments are calculated actuarially at regular intervals. A defined benefit plan is one that incorporates a promise to pay an amount of pension benefit, which is usually based on several factors such as age, number of years in service and remuneration. A defined contribution plan is one in the context of which Rabobank pays fixed contributions to a separate entity (a pension fund) and acquires no legal or constructive obligation if the fund has insufficient assets to pay all the benefits to employee-members of the plan in respect of service in current and past periods.

2.22.1 *Pension obligations*

The obligation under the defined-benefit pension schemes is the present value of the defined-benefit pension obligation on the balance sheet date after deduction of the fair value of fund investments.
The defined-benefit obligation is calculated annually by independent actuaries based on the projected unit credit method. The present value of the defined-benefit obligation is determined by the estimated future outflow of cash funds based on the interest rates of high-quality corporate bonds with terms which approach that of the corresponding obligation. The majority of pension schemes are career-average schemes, and the costs of these schemes – i.e. the net pension charges for the period less employee contributions and interest, is included under 'Staff costs'. Net interest expenses or income are calculated by applying the discount rate at the beginning of the year for the asset or liability based on the defined-benefit pension scheme.
Actuarial gains and losses arising from actual developments or actuarial assumptions are recognised in the consolidated statement of comprehensive income.

2.22.2 *Defined contribution plans*

Under defined contribution plans, Rabobank pays contributions to publicly or privately managed insured pension plans on a compulsory, contractual or voluntary basis. Once the contributions have been made, Rabobank has no further payment obligations. The regular contributions are net period costs for the year in which they are due and are included on this basis under Staff costs.

2.22.3 *Other post-employment obligations*

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

2.22.4 *Variable remuneration*

The costs of variable remuneration paid unconditionally and in cash are recognised in the year in which the employee renders the services. The costs of conditional payments in cash are included in staff costs in the statement of income in the period during which the employee's services are received, which equals the vesting period of the cash payment. The liability is recognised in other liabilities. The accounting treatment of equity instrument-based payments is disclosed in note 2.23.

2.23 Equity instrument-based payments

Remuneration for services rendered by identified staff is made in the form of cash-settled payments based on equity instruments that are similar to, and have the same characteristics as, Rabobank (Member) Certificates. The costs of the services received are based on the awarded equity instruments' fair value on the award date and are recalculated annually at the value applicable at the time. The costs of the awarded equity instruments are included in staff costs in the statement of income in the period during which the employee's services are received, which equals the vesting period of the equity instruments. The liability is recognised in other liabilities.

2.24 Tax

Current tax receivables and payables are set off if there is a legally enforceable right to set off such items and if simultaneous treatment or settlement is intended. Deferred tax assets and liabilities are set off if there is a legally enforceable right to set off such items and if they relate to the same tax authority and arise from the same tax group.

Provisions are formed in full for deferred tax liabilities, using the liability method, arising from temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The main temporary differences relate to the depreciation of property and equipment, the revaluation of certain financial assets and liabilities, including derivative financial instruments, provisions for pensions and other post-employment benefits, provisions for loan losses and other impairment and tax losses, and, in connection with business combinations, the fair values of the net assets acquired and their tax bases.

Deferred income tax assets and liabilities are measured at the tax rates that have been enacted or substantively enacted at the reporting date.

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

Provisions are formed in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, unless the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Taxes on profit are calculated in accordance with the tax legislation of the relevant jurisdiction and recognised as an expense in the period in which the profit is realised. The tax effects of the carry-forward of unused tax losses are recognised as an asset if it is probable that future taxable profits will be available against which the losses can be utilised.

Deferred tax assets or deferred tax liabilities are included for the revaluation of available-for-sale financial assets and cash flow hedges that are directly taken to equity. Upon realisation, they are recognised in profit or loss together with the respective deferred gain or loss.

2.25 Due to other banks, due to customers and debt securities in issue

These borrowings are initially recognised at fair value, i.e. the issue price less directly attributable and non-recurring transaction costs, and subsequently carried at amortised cost, including transaction costs.

If Rabobank repurchases one of its own debt instruments, it is derecognised, with the difference between the carrying amount of a liability and the consideration paid being recognised as income or expense.

2.26 Rabobank (Member) Certificates

The proceeds of the issue of Rabobank (Member) Certificates are available to Rabobank Group on a perpetual basis, subordinated to all liabilities (also subordinate to the Trust Preferred Securities and the Capital Securities). As the payment of planned distributions is fully discretionary, the proceeds of the issue of Rabobank (Member) Certificates are recognised as equity. Accordingly, planned distributions are accounted for in the profit appropriation.

2.27 Trust Preferred Securities and Capital Securities

Trust Preferred Securities, which pay a non-discretionary dividend and are redeemable on a specific date or at the option of the holder, are classified as financial liabilities and included under Subordinated debt. The distributions on these preferred securities are recognised in profit or loss as interest expense based on amortised cost using the effective interest method.
The remaining Trust Preferred Securities and Capital Securities are recognised as 'Equity', as there is no formal obligation to repay the principal or to pay the dividend.

2.28 Financial guarantees

Financial guarantee contracts require that the issuer compensate the holder for a loss the latter incurs because a specified debtor fails to meet its obligations in accordance with the terms of a debt security. Such financial guarantees are initially measured at fair value and subsequently measured at the value of the discounted liability under the guarantee or the higher initially measured value less the amount of previously recognised cumulative gains or losses, thus reflecting the revenue recognition principles.

2.29 Segment information

A segment is a distinguishable component of Rabobank that engages in providing products or services and is subject to risks and returns that are different from those of other segments. The business segments Rabobank uses in its reporting are defined from a management viewpoint. This means they are the segments that are reviewed as part of Rabobank's strategic management and for the purpose of making business decisions, and have different risks and returns. Rabobank's primary segment reporting format is by business segment; the secondary format is by geographical segment.

2.30 Business combinations

Business combinations are accounted for on the basis of the acquisition method. The price of an acquisition is determined as the monetary amount or equivalent agreed for the acquisition of the business combination, if applicable plus costs directly relating to the acquisition. Goodwill represents the difference between the price of the acquisition and Rabobank's interest in the fair value of the assets, liabilities and conditional liabilities acquired. Goodwill is capitalised and recognised as an intangible asset. For each business combination, the minority interests are valued against the share of the company acquired in the identifiable net assets. Direct acquisition costs are directly taken to the profit or loss account.

2.31 Groups of assets hived off and classified as held for sale / discontinued operations

Groups of assets which are hived off and classified as held for sale are valued at book value or, if lower, fair value less estimated cost of sale. A group of assets (or a fixed asset) sold is classified as held for sale if the book value will be realised primarily by means of a sales transaction as opposed to continued use. This is solely the case if the sale is extremely likely and the group of assets (or a fixed asset) hived off is immediately available for sale in its current condition. In addition, the management must have committed to the sale, which is expected to be completed within one year after the time of classification as held for sale. If a group of assets classified as held for sale represents a key business activity or key geographic region, it is classified as discontinued operations. The latter are presented separately from comprehensive income arising from continuing operations.

2.32 Statement of cash flows

Cash and cash equivalents comprises cash resources, money market deposits and deposits at central banks. The statement of cash flows is prepared in accordance with the indirect method of calculation and provides details of the source of the cash and cash equivalents that became available during the year as well as their application during the year. Operating profit before taxation in the net cash flow from operating activities is adjusted for items in the statement of income and changes in items in the statement of financial position which do not actually generate cash flows during the year.

The cash flows from operating, investing and financing activities are stated separately. Changes in loans and receivables, interbank deposits, due to customers and debt securities in issue are accounted for under cash flows from operating activities. Investing activities relate to acquisitions and disposals and repayments on financial investments, as well as the acquisition and disposal of subsidiaries and property and equipment. The proceeds from the issue of and payments on Rabobank (Member) Certificates, Trust Preferred Securities, Capital Securities, Senior Contingent Notes, Rabo Extra Member Notes and subordinated debts qualify as financing activities. Changes on account of currency translation differences are eliminated, as are the consolidation effects of acquisitions of associates.
The difference between the net change presented in the statement of cash flows and the change in cash and cash equivalents presented in the statement of financial position is due to currency translation differences. These are presented separately as part of the reconciliation between those two amounts.

3 Solvency and capital management

Rabobank wishes to have an adequate solvency position, which it manages based on a number of ratios. The principal ratios are the core tier 1 ratio, the tier 1 ratio, the BIS ratio and the equity capital ratio. Rabobank's internal targets exceed the regulators' minimum requirements as it anticipates market expectations and developments in laws and regulations. Rabobank seeks to stand out from other financial institutions, managing its solvency position based on policy documents. The Balance Sheet and Risk Management Committee Rabobank Group, the Executive Board and the Supervisory Board periodically discuss the solvency position and the targets to be used.
Rabobank must comply with a number of minimum solvency positions stipulated under the law. The solvency position is determined based on ratios. These ratios compare Rabobank's BIS ratio (capital ratio) and core tier 1 ratio with the total amount of the risk-weighted assets.
The minimum required percentages under the CRD III are 8% and 4% of the risk-weighted assets, respectively. Since 1 January 2014, the minimum required percentages have been determined based on CRD/CRR IV. This will result in a gradual increase in the minimum required percentages. Rabobank takes this into its account in its capital planning.
The determination of the risk-weighted assets is based on separate methods for credit risk, operational risk and market risk. The risk-weighted assets are determined for credit risk purposes in many different ways. For most assets the risk weight is determined with reference to internal ratings and a number of characteristics specific to the asset concerned. For off-balance sheet items the balance sheet equivalent is calculated first, on the basis of internal conversion factors. The resulting equivalent amounts are then also assigned risk-weightings. An Advanced Measurement Approach Model is used to determine the amount with respect to the risk-weighted assets for operational risk. With the market risk approach, the general market risk is hedged, as well as the risk of open positions in foreign currencies, debt and equity instruments, as well as commodities.

The ratios displayed below are based on CRD III.

Rabobank Group's ratios		
in millions of euros	2013	2012
Retained earnings (note: 28)	28,107	27,457
Rabobank (Member) Certificates	5,823	6,672
Part of non-controlling interest treated as qualifying capital	437	402
Deductions*	(5,816)	(5,278)
Core tier 1 capital	**28,551**	**29,253**
Trust-Preferred Securities III to VI (note: 30)	1,269	1,340
Trust Preferred Securities II (note: 26)	-	415
Capital Securities (note: 30)	7,265	7,350
Deductions*	(1,993)	-
Tier 1 capital	**35,092**	**38,358**
Part of reserves treated as qualifying capital	(301)	138
Part of subordinated debt treated as qualifying capital	7,744	4,935
Deductions	(885)	(1,110)
Qualifying capital (BIS capital)	**41,650**	**42,321**
Risk-weighted assets	210,829	222,847
Core tier 1 ratio	13.5%	13.1%
Tier 1 ratio	16.6%	17.2%
BIS ratio	19.8%	19.0%
Equity capital ratio**	16.1%	15.3%

* Of the revaluation reserves – pensions relating to the defined benefit plan terminated in 2013 held by Stichting Rabobank Pensioenfonds and by Robeco – a total of 1,089 was deducted from the core tier 1 capital and 1,993 was deducted from the additional tier 1 capital, taking into account the adjustment provision specified in the publication Q&A Gevolgen pensioenverslaggevingsstandaard (IAS 19 Revised) banken en beleggingsondernemingen in 2013 ('Q&A regarding the impact of the pension reporting standard (IAS 19 Revised) on banks and investment institutions in 2013'), published by the Dutch Central Bank. If the same system had been applied with effect from 30 June 2013, the core tier 1 ratio would reach 13.0% (up from 12.9%), the tier 1 ratio would come to 16.1% (down from 16.9%) and the BIS ratio was 17.9% (down from 18.7%). At 1 January 2014, both amounts were deducted from the core tier 1 capital.

** The equity capital ratio is calculated by relating the 'Retained earnings' and 'Rabobank (Member) Certificates' to the risk-weighted assets.

4 Risk exposure of financial instruments

4.1 Risk governance

Rabobank Group manages risks at various levels. At the highest level, the Executive Board determines the risk strategy it will pursue, the policy framework as well as the limits, under the supervision of the Supervisory Board and on the recommendation of the Rabobank Group Balance Sheet and Risk Management Committee and Rabobank Group Credit Management Committee. The Supervisory Board regularly assesses the risks attached to the activities and portfolio of Rabobank Group. The Chief Financial Officer, who is also a member of the Executive Board, is responsible for the risk management policy within Rabobank Group. Responsibility for the risk policy within Rabobank Group is spread across two directorates. Group Risk Management is in charge of the policies for interest rate, market, liquidity, currency and operational risks, as well as for the policy for credit risks at portfolio level. Credit Risk Management is responsible for the credit risk acceptance policy at item level. Furthermore, the group entities practice independent risk management.

4.1.1 *Risk appetite*

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

4.2 Strategy for the use of financial instruments

Rabobank's activities are inherently related to the use of financial instruments, including derivative financial instruments. Rabobank accepts deposits from clients at fixed and variable rates of interest for a variety of terms and aims to earn above average interest margins on these deposits by investing them in high-quality assets. Rabobank also aims to increase these margins by consolidating short funds and loans for longer terms at higher interest rates, at the same time keeping sufficient cash resources to meet all payments that might become due.

A further objective of Rabobank is to increase its interest rate result by obtaining above-average margins, after deduction of provisions, and by granting loans to commercial and retail borrowers with various credit ratings. These risks apply not only to loans recognised in the statement of financial position; Rabobank also gives guarantees, such as letters of credit and performance and other guarantee documents.

Rabobank also trades in financial instruments when it takes positions in tradable and unlisted instruments (OTCs), including derivative financial instruments, in order to profit from short-term movements on the share and bond markets and in exchange rates, interest rates and commodity prices.

4.3 Interest-rate risk

Interest-rate risk is defined as the risk that the financial results and/or economic value listed in the bank book, given the balance-sheet composition, is negatively affected by movements in the money-market and capital-market interest rates.

Accepting a certain amount of interest-rate risk is a fundamental part of banking and can potentially be a significant source of profit and value creation. The Rabobank Executive Board is responsible for determining risk appetite, along with the following limits for the two key indicators:

- Equity at risk, duration of equity; and
- Income at Risk, the interest sensitivity analysis whereby a gradual increase or decrease is assumed for the 12 months ahead.

Interest-rate risk at Rabobank is based on the differences in the terms between loans and funds, option risk, basis risk and yield curve risk. Any interest-rate risk to which customers are exposed on account of an increase in their liabilities due to interest-rate changes does not affect Rabobank's interest rate position. Any negative effects arising from this are regarded as credit risk.

Interest-rate risk is managed by the Rabobank Group Balance Sheet and Risk Management Committee, which is chaired by the CFRO. The decisions taken by this committee are implemented by the Central Treasury, with Group Risk Management being responsible for measurement and reporting.

Rabobank's interest-rate risk derives mainly from mortgages provided and business loans with long fixed-interest terms. These payments are financed by the savings business, from funds held in customers' current accounts and other current accounts and external professional funding. Interest-rate risk is measured not only based on contractually specified data; Rabobank also factors in customer behaviour in the internal interest-rate risk model used. The definition used for managing interest-rate risk varies from the IFRS definition of equity. For interest-rate risk management, the economic value of equity is defined as the present value of the assets less the present value of the liabilities plus the present value of the off-balance-sheet items. Through the use of hedge accounting and due to the fact that a large portion of the balance sheet is stated at amortised cost (in IFRS terms) and therefore does not change in value, the effects of the calculated value changes on IFRS capital will be largely restricted to an impact on interest income.

Changes in income at risk and equity at risk are detailed on the next page.

4.3.1 *Income-at-risk*

The income-at-risk is calculated each month based on a standard interest-rate sensitivity analysis. The latter shows the effect on interest profit of a gradual, parallel interest rate decrease and increase by 200 basis points in the coming 12 months in relation to the scenario in which market interest rates and other rates remain unchanged. The income-at-risk is equal to the most negative effect on interest income. Rabobank was sensitive to interest rate decreases throughout 2013. The maximum income-at-risk was -54 during 2013 and -50 at year-end 2013. This low position results from the internal assumption that interest rates cannot fall below 0%. At year-end 2013, the estimated decrease was 5 basis points lower than at year-end 2012. This was because the higher money-market interest rate facilitates a parallel decline of 10 basis points without interest rates falling below zero. The effects on interest income may be greater for non-parallel interest-rate changes.

Income at risk		
in millions of euros	31 Dec 2013	31 Dec 2012
	10 bp decline	5 bp decline
1-12 months	(50)	(18)

4.3.2 *Equity-at-risk*

The equity-at-risk of duration expresses the percentage by which the economic value of equity decreases if the yield curve increases in parallel by 1%. The Executive Board has set 0% as the lower limit and 10% as the upper limit. The Balance Sheet and Risk Management Committee applies additional limits for the basis point sensitivity of equity and the delta profile of equity. The equity at risk increased from 1.4% to 2.3% during 2013. The interest-rate risk position within the business has hardly increased due to the low number of new mortgages and business loans combined with an increase in the number of bank savings products with a long interest-rate term. The effects on interest income may be greater for non-parallel interest-rate changes.

Equity at risk		
	31 Dec 2013	31 Dec 2012
	2.3%	1.4%

Supplementing the monthly interest rate sensitivity assessments, regular analyses are performed that calculate the impact of one or more macroeconomic scenarios on net interest income. The results of these scenario analyses are important for integral interest rate risk management purposes and are included in reports to the Rabobank Group Balance Sheet and Risk Management Committee.

4.4 Credit risk

Credit risk is the risk that a counterparty is unable to meet a financial or other contractual obligation vis-à-vis the bank. Credit risk is inherent to granting loans. Positions in tradable assets such as bonds and shares are also subject to credit risk.

Rabobank restricts its credit risk exposure by setting limits for loans to an individual counterparty, or a group of counterparties, as well as for loans to countries. The four-eyes principle is a key factor when granting loans. A multi-level committee structure is in place to make decisions on major loan applications, with the competent committee being chosen based on the size of the loan. Decisions on the largest loans are made directly by the Executive Board.

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

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

4.4.1 Maximum credit risk

The table below sets out the maximum credit risk to which Rabobank is subject at the reporting date in respect of the various categories, without taking into account any collateral or other measures for restricting credit risk. It also shows the financial effect of any collateral provided or other types of credit risk reduction.

In some cases the amounts following deviate from the carrying amounts, since the outstanding equity instruments are not included in the maximum credit risk.

	Maximum gross credit risk		Credit risk reduction	
in millions of euros	2013	2012	2013	2012
Cash and cash equivalents	43,039	68,103	0%	0%
Due from other banks	40,844	35,386	56%	43%
Derivative financial instruments	39,703	65,423	92%	89%
Loans to customers	460,202	485,299	79%	80%
Available-for-sale financial assets	45,594	49,908	8%	7%
Subtotal	**629,382**	**704,119**	**67%**	**64%**
Credit related and contingent liabilities	49,556	53,548	15%	17%
Total	**679,938**	**757,667**	**64%**	**61%**

4.4.2 Loans

Rabobank has a significant market share in private sector lending; these loans to private customers account for 49% of all loans to customers. These loans have a very low risk profile as evidenced by the actual losses incurred in previous years, which were below 5 basis points and have edged up to 6 basis points.
The proportion of the total loan portfolio attributable to the food and agri sector was 20% in 2013.
The proportion of the total loan portfolio attributable to trade, industry and services was 31% at year-end 2013. Loans to trade, industry and services and loans to the food and agri sector are both spread over a wide range of industries in many different countries. None of these shares represents more than 10% of the total client loan portfolio.

in millions of euros	2013		2012	
Total loans to customers	**460,202**		**485,299**	
Of which: to government clients	2,670		3,764	
reverse repurchase transactions and securities borrowing agreements	10,697		11,410	
interest rate hedges (hedge accounting)	7,860		12,034	
Private sector lending	**438,975**		**458,091**	
This can be broken down geographically as follows:				
The Netherlands	335,046	77%	341,614	75%
Rest of Europe	26,972	6%	35,737	8%
North America	40,853	9%	42,010	9%
Latin America	10,635	2%	11,414	2%
Asia	6,631	2%	6,284	1%
Australia	18,698	4%	20,812	5%
Africa	140	0%	220	0%
Total	**438,975**	**100%**	**458,091**	**100%**
Breakdown of loans by business sector				
Private individuals	216,351	49%	220,029	48%
Trade, industry and services	135,648	31%	145,626	32%
Food and agri	86,976	20%	92,436	20%
Total	**438,975**	**100%**	**458,091**	**100%**

TIS loan portfolio analysed by industry		
in millions of euros	2013	2012
Lessors of real estate	26,568	29,516
Finance and insurance (except banks)	14,565	19,835
Wholesale	18,441	17,844
Activities related to real estate	6,795	7,142
Manufacturing	8,557	9,300
Transport and warehousing	6,581	7,196
Construction	6,615	7,066
Healthcare and social assistance	6,065	6,017
Professional, scientific and technical services	5,442	5,983
Retail (except food and beverages)	4,711	4,642
Utilities	2,311	2,448
Information and communication	1,008	1,444
Arts, entertainment and leisure	1,310	1,404
Other TIS	26,679	25,789
Total loans granted to TIS	**135,648**	**145,626**

Food and agri loan portfolio analysed by industry		
in millions of euros	2013	2012
Grain and oil seeds	14,890	16,111
Animal protein	16,716	17,747
Dairy	14,293	15,436
Fruit and vegetables	9,006	9,365
Farm inputs	6,032	6,024
Food retail	4,735	5,730
Beverages	3,683	3,921
Flowers	2,915	3,159
Sugar	1,959	2,268
Miscellaneous crop farming	1,649	2,682
Other food and agri	11,098	9,993
Total loans granted to food and agri	**86,976**	**92,436**

4.4.3 Derivative financial instruments

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

4.4.4 Credit risk management methods

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

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

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

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

Offsetting of financial instruments

in millions of euros	Gross book value	IAS 32 Offsetting	Net book value included in balance sheet	Master netting agreements	Other offsetting	Net value after other offsetting
At 31 December 2013						
Due from other banks	41,843	(999)	40,844	-	(23,277)	17,567
Other financial liabilities at fair value through profit and loss	4,971	-	4,971	-	-	4,971
Derivative financial instruments	66,836	(27,133)	39,703	(30,492)	-	9,211
Loans to customers	478,294	(18,092)	460,202	-	(11,265)	448,937
Other assets	9,175	(370)	8,805	-	-	8,805
Total	**601,119**	**(46,594)**	**554,525**	**(30,492)**	**(34,542)**	**489,491**
Due to other banks	18,135	(2,639)	15,496	-	(904)	14,592
Due to customers	341,292	(11,892)	329,400	-	(1,636)	327,764
Derivative financial instruments	80,406	(31,693)	48,713	(30,492)	-	18,221
Other debts	7,806	(370)	7,436	-	-	7,436
Total	**447,639**	**(46,594)**	**401,045**	**(30,492)**	**(2,540)**	**368,013**
At 31 December 2012						
Due from other banks	37,029	(1,643)	35,386	-	(17,397)	17,989
Other financial liabilities at fair value through profit and loss	5,915	(4)	5,911	-	-	5,911
Derivative financial instruments	98,650	(33,227)	65,423	(50,896)	-	14,527
Loans to customers	515,468	(30,169)	485,299	-	(12,085)	473,214
Other assets	10,353	(590)	9,763	-	-	9,763
Total	**667,425**	**(65,633)**	**601,782**	**(50,896)**	**(29,482)**	**521,404**
Due to other banks	30,443	(3,384)	27,059	-	(1,473)	25,586
Due to customers	356,012	(21,741)	334,271	-	(2,872)	331,399
Derivative financial instruments	113,155	(39,918)	73,237	(50,896)	-	22,341
Other debts	11,756	(590)	11,166	-	-	11,166
Total	**511,366**	**(65,633)**	**445,733**	**(50,896)**	**(4,345)**	**390,492**

4.4.5 *Off-balance-sheet financial instruments*

The guarantees and standby letters of credit which Rabobank provides to third parties in the event a client cannot fulfil its obligations vis-à-vis these third parties, are exposed to credit risk.
Documentary and commercial letters of credit and written undertakings by Rabobank on behalf of clients authorise third parties to draw bills against Rabobank up to a present amount subject to specific conditions. These transactions are backed by the delivery of the underlying goods to which they relate. Accordingly, the risk exposure of such an instrument is less than that of a direct loan.
Obligations to grant loans at specific rates of interest during a fixed period of time are recognised under credit granting liabilities and accounted for as such unless these commitments do not extend beyond the period expected to be needed to perform appropriate underwriting, in which case they are considered to be transactions conforming to standard market conventions. Rabobank is exposed to credit risk when it promises to grant lending facilities. The size of such losses is less than the total of the unused commitments, as promises to grant credit facilities are made subject to the clients meeting certain conditions that apply to loans. Rabobank monitors the term to expiry of credit promises, as long-term commitments are generally associated with a higher risk than short-term commitments.

4.4.6 *Credit quality of financial assets*

In its financing approval process, Rabobank Group uses the Rabobank Risk Rating, which reflects the counterparty's probability of default (PD) over a one-year period. The table below sets out the credit quality (after deduction of the provision for doubtful debts) of the loan-related items in the statement of financial position. The 'credit quality' categories are determined based on the internal Rabobank Risk Rating.
The Rabobank Risk Rating consists of 21 performing ratings and four default ratings. The latter constitute the total impaired exposure. The 'vulnerable' category consists of performance ratings which have been cancelled but which have not undergone impairment.

Credit quality of financial assets

in millions of euros	(Virtually) no risk	Adequate to good	Vulnerable	Impaired	Total
At 31 December 2013					
Due from other banks	26,799	14,041	-	4	40,844
Loans to customers					
Loans to government clients	1,612	933	1	-	2,546
Loans to private clients:					
- overdrafts	984	13,368	934	1,788	17,074
- mortgages	51,071	163,548	3,177	1,588	219,384
- leases	1,019	18,397	1,538	562	21,516
- reverse repurchase transactions and securities borrowing agreements	4,450	6,247	-	-	10,697
- corporate loans	19,916	151,011	4,572	4,902	180,401
- other	962	7,358	110	154	8,584
Total	**106,813**	**374,903**	**10,332**	**8,998**	**501,046**
At 31 December 2012					
Due from other banks	25,242	10,137	-	7	35,386
Loans to customers					
Loans to government clients	2,621	1,140	2	1	3,764
Loans to private clients:					
- overdrafts	650	11,334	1,293	1,433	14,710
- mortgages	69,214	147,797	3,416	1,052	221,479
- leases	1,410	18,290	1,519	745	21,964
- reverse repurchase transactions and securities borrowing agreements	3,778	7,632	-	-	11,410
- corporate loans	24,256	164,651	6,391	4,393	199,691
- other	1,214	10,730	153	184	12,281
Total	**128,385**	**371,711**	**12,774**	**7,815**	**520,685**

The table below gives an age analysis of financial assets expired (overdue) but unimpaired.

Age analysis					
in millions of euros	< 30 days	30 to 60 days	61 to 90 days	> 90 days	Total
At 31 December 2013					
Due from other banks	-	-	-	-	-
Loans to customers					
Loans to government clients	1	-	-	-	1
Loans to private clients:					
- overdrafts	594	264	67	9	934
- mortgages	2,057	683	356	81	3,177
- leases	1,042	289	206	1	1,538
- reverse repurchase transactions and securities borrowing agreements	-	-	-	-	-
- corporate loans	3,187	907	362	116	4,572
- other	84	20	6	-	110
Total	**6,965**	**2,163**	**997**	**207**	**10,332**
At 31 December 2012					
Due from other banks	-	-	-	-	-
Loans to customers					
Loans to government clients	2	-	-	-	2
Loans to private clients:					
- overdrafts	865	338	75	15	1,293
- mortgages	2,271	743	347	55	3,416
- leases	988	290	240	1	1,519
- reverse repurchase transactions and securities borrowing agreements	-	-	-	-	-
- corporate loans	4,455	1,203	448	285	6,391
- other	103	26	22	2	153
Total	**8,684**	**2,600**	**1,132**	**358**	**12,774**

4.4.7 Clemency (forbearance)

As part of its role as a relationship bank, Rabobank attempts to prevent potential default by its customers through effective credit management and periodic meetings with its customers, as well as by taking measures in a timely manner. If customers, despite these efforts, do run into difficulties, Rabobank – provided there is a potential for continuation in the long term, will attempt to restructure the loan instead of using the security. These measures – known as 'forbearance' measures – represent concessions by the bank to customers who are unable to meet their current payment obligations to the bank due to financial difficulties.
Rabobank has developed policies that will enable it to report its forbearance portfolio on a quarterly basis starting at the end of 2014, in accordance with the EBA requirements. If new agreements made with customers are classified as forbearance, this will result in additional measures, including classification as a classified loan. It should be noted here that the 'vulnerable continuity' classification includes both performing and non-performing loans. If forbearance measures are permitted, the loan will, as a rule, be managed by Rabobank Special Administration.
The new regulations require a great deal of effort in terms of facilitating the detailed documentation of these measures in the reporting systems. If debtors return to regular continuity again, they are reported as part of the forbearance portfolio up to two years following the recovery date.

4.4.8 Country risk on GIIPS countries

Rabobank Group's exposure to government bonds issued by Spain, Ireland and Italy was 174 (2012: 202) at 31 December 2013. Rabobank no longer holds any government bonds issued by the other GIIPS countries. The exposure to bonds issued by financial institutions chiefly concern Spanish secured bonds. The issuing institution has provided additional collateral. The total nominal exposure to the bonds is 1,671 (2012: 1,795).

in millions of euros	Government bonds	State-guaranteed bonds	Bonds issued by financial institutions	Total	Cumulative adjustments charged to profit and loss
Country					
At 31 December 2013					
Greece					
Loans	-	42	-	42	8
Ireland					
Available-for-sale financial assets	6	-	41	47	-
Italy					
Loans	-	-	47	47	-
Available-for-sale financial assets	59	-	5	64	-
Financial assets at fair value through profit or loss	65	-	-	65	-
Spain					
Loans	-	-	98	98	-
Available-for-sale financial assets	-	-	1,292	1,292	6
Financial assets at fair value through profit or loss	44	-	-	44	-
Total	**174**	**42**	**1,483**	**1,699**	**14**

in millions of euros	Government bonds	State-guaranteed bonds	Bonds issued by financial institutions	Total	Cumulative adjustments charged to profit and loss
Country					
At 31 December 2012					
Greece					
Loans	-	24	-	24	47
Ireland					
Available-for-sale financial assets	6	-	41	47	-
Financial assets at fair value through profit or loss	48	-	-	48	-
Italy					
Loans	-	-	46	46	-
Available-for-sale financial assets	56	-	10	66	-
Financial assets at fair value through profit or loss	92	-	-	92	-
Spain				-	
Loans	-	-	178	178	-
Available-for-sale financial assets	-	-	1,158	1,158	67
Financial assets at fair value through profit or loss	-	-	3	3	-
Total	**202**	**24**	**1,436**	**1,662**	**114**

Based on the accounting policies applied, it has been established with respect to the Greek exposures, as well a number of bonds issued by financial institutions, that impairment losses need to be recognised; these positions have been impaired to their fair market value at 31 December 2013. The average valuation of the Greek government bonds and state-guaranteed bonds at 31 December 2013 was 84% (2012: 34%).

Exposure to European government bonds other than Dutch, German and French is extremely limited.

4.4.9 Developments in real estate portfolio

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

Market conditions affect the quality of the loan portfolio in commercial real estate. The value of properties is declining in the current market conditions, with the value of less marketable property and property in non-prime locations, in particular, having been on a downward spiral. The revision and valuation policy, along with – especially – the management policy, all show a risk-oriented approach. If this audit shows that the value used is no longer in accordance with the actual market value, the property or properties is/are revalued. Valuations are performed by an independent appraiser. In pursuing this course of action, Rabobank complies with the more stringent requirements set by the Dutch Central Bank, based on market conditions, for valuation and the age of valuations.

The Dutch commercial real estate portfolio is managed with extra attention within Rabobank Group. The Commercial Real Estate Task Force, which was set up for this purpose in mid-2010, regularly reports to the Executive Board on the development of both the size and the risk level of the Dutch portfolio, and will continue to monitor market trends and portfolio movements closely in the coming years. Rabobank has tightened its financing, revision and valuation policies in recent years.

Prompted by the alarming trends in commercial real estate described above, the Dutch Central Bank conducted an Asset Quality Review in 2013 among the largest banks in the Netherlands, in order to assess whether they maintain sufficient capital and provisions for financing in this sector. At Rabobank, virtually the entire commercial real estate loan portfolio was included in the scope. The resulting recommendations have since been implemented. In addition, a test was conducted on the internal models used to determine how much capital must be maintained to cover unexpected losses. The conclusion was that Rabobank maintains sufficient Pillar-1 capital for this portfolio.

With regard to the provisions, Rabobank – particularly in the second half of the year – made substantial additions as a result of the portfolio's deteriorating quality. Rabobank Group endorses the intentions of the Platform of Appraisers and Auditors (PTA) in order to improve the level of professionalism, quality, and transparency in relation to determining property values. Rabobank notes that it already largely complied with the recommendations set out in the report issued by the PTA, to the extent this was relevant to valuations in the banking process. Where this was not yet the case, Rabobank has brought its valuation process in line with the PTA's recommendations.

The table below shows several data relating to the commercial real estate loan portfolio in the Netherlands at 31 December 2013. The Property Development sector is displayed separately, as this sector has also been affected by longer lead times and a sluggish property market. At a total amount of EUR 3 billion, Rabobank's lending in this sub-sector has been modest; however, it should be noted that the risk costs associated with this portfolio are significantly higher than for the Investment Property portfolio.

in millions of euros	Loan portfolio	Impaired portfolio	Provisions	Value adjustments	Amounts charged to the provisions
At 31 December 2013					
Investment property of domestic retail banking business	9,910	1,104	516	144	35
Investment property of Rabo Real Estate Group (FGH Bank)	14,446	2,410	788	485	23
Total investment property	**24,356**	**3,514**	**1,304**	**629**	**58**
Property development of domestic retail banking business	1,942	793	396	168	48
Property development of Rabo Real Estate Group (FGH Bank)	1,041	357	30	29	11
Total property development	**2,983**	**1,150**	**426**	**197**	**59**

in millions of euros	Loan portfolio	Impaired portfolio	Provisions	Value adjustments	Amounts charged to the provisions
At 31 December 2012					
Investment property of domestic retail banking business	10,346	908	389	103	14
Investment property of Rabo Real Estate Group (FGH Bank)	15,524	1,476	339	223	64
Total investment property	**25,870**	**2,384**	**728**	**326**	**78**
Property development of domestic retail banking business	2,135	595	255	112	39
Property development of Rabo Real Estate Group (FGH Bank)	978	49	14	9	3
Total property development	**3,113**	**644**	**269**	**121**	**42**

Rabobank's domestic property portfolio was further reduced in 2013 as a result of redemptions and lower risk appetite. Market trends diminish the quality of the portfolio, which is reflected in a larger number of impaired loans and, by extension, the higher cost of bad debt provisions in recent years. One key mitigating factor determining the quality of the loan portfolio is that Rabobank places a premium on relationship banking and its financing policy is more customer-driven than property-driven. If the current market trends persist, Rabobank expects credit losses in the property portfolio to remain high in the coming years.

ACCBank is responsible for the bulk of the international commercial real estate portfolio, with a total value of EUR 1.1 billion (2012: EUR 1.5 billion). This portfolio is classified as a run-off portfolio. Although property values in prime locations in Ireland have stabilised somewhat, prices in other locations continue to decline. A total of 249 (2012: 185) was therefore added to the provisions in 2013.
Rabobank expects to make more additions in the coming year, albeit at a lower amount than in the past few years.

4.5 Currency risk

Rabobank is exposed to exchange rate fluctuations impacting the financial position and cash flows. Just as with other market risks, the currency risk exposure of the trading books is managed using Value-at-Risk (VaR) limits set by the Executive Board. This risk is monitored on a daily basis. The policy aims to prevent open positions whenever possible. The VaR from currency risk exposure in the trading books stood at 0.6 at 31 December 2013 (2012: 0.8). The non-trading books are only exposed to the translation risk on capital invested in foreign activities and on issues of hybrid equity instruments not denominated in euros.
To monitor and manage translation risk, Rabobank follows a policy of protecting equity against exchange rate fluctuations.

There are other risk indicators in addition to the VaR relating to currency risk; for example, basis point sensitivity indicates how the amount of the trading book positions changes if the yield curve increases in parallel by one basis point. The table below shows these positions for each of the major currencies

Basis Point Value		
in millions of euros	2013	2012
Euro	0.6	0.0
US dollar	1.1	0.6
British pound	0.0	0.2
Australian dollar	(0.1)	(0.0)
Japanese yen	0.0	0.1
Other	(0.1)	(0.1)
Total	**1.5**	**0.8**

4.6 Liquidity risk

Rabobank is exposed to liquidity risk, i.e. the risk that the bank is unable to meet all of its (re)payment obligations, as well as the risk that the bank is unable to fund increases in assets at reasonable prices or unable at all. This could happen if, for instance, clients or professional counterparties suddenly withdraw more funds than expected, which cannot be met by the bank's cash resources or by selling or pledging assets or by borrowing funds from third parties.

For a long time now, Rabobank has recognised liquidity risk as a major risk type. Rabobank's policy therefore is to match the term of funding with the term of loans granted. Long-term loans must be financed through funds entrusted by customers or long-term funding by professional markets.

Liquidity risk is managed based on three pillars. The first of these sets strict limits for the maximum outgoing cash flows within the wholesale banking business. Among other things, Rabobank measures and reports on a daily basis what incoming cash flows can be expected during the first twelve months. Limits have been set for these outgoing cash flows, including for each currency and each site. In order to be as well prepared as possible for potential crisis situations, a number of detailed contingency funding plans (CFPs) are in place which are subjected to operational tests on a regular basis.

The second pillar is used to maintain a substantial buffer of liquid assets. In addition to the funds held at central banks, these assets can be used to borrow from central banks, used in repo transactions or in order to sell directly in the market in order to generate liquidities immediately. The amount of the liquidity buffer is related to the risk to which Rabobank is exposed through its balance sheet. Rabobank Group has securitised a portion of the loan portfolio (within the company) in recent years, which means it can be pledged from the central bank and therefore serves as an additional liquidity buffer. Since this concerns internal securitisations, solely for liquidity purposes, they are not visible in the economic balance sheet but are included in the available liquidity buffer.

The third pillar entails the restriction of liquidity risk through a prudent funding policy aimed at meeting the financing requirements of the group units at acceptable cost. Diversification of sources of funding and currencies, flexibility of the funding instruments applied and a hands-on investor relations approach are key factors. This prevents Rabobank Group from being overly dependent on a single source of funding.

Furthermore, scenario analyses are performed each month to simulate the possible consequences of a wide range of stress scenarios, distinguishing between scenarios specific for the market and scenarios specific for Rabobank, as well as a combination of them. Monthly reports on the liquidity position of the Group as a whole are submitted to the Dutch Central Bank. These reports are prepared in accordance with the guidelines drawn up by this supervisory authority.

The table below shows Rabobank's non-discounted liabilities grouped by the liquidity period remaining between the reporting date and the expected contract repayment date. The total amounts do not correspond exactly with the amounts in the consolidated statement of financial position, since this table is based on non-discounted cash flows, related to both principal and future interest payments. 'Derivative financial instruments and other trade liabilities' have not been analysed on the basis of the contract repayment date because they are not essential for the management of liquidity risk and for reporting to the management of Rabobank.

Contract repayment date

in millions of euros	On demand	Less than 3 months	3 months to 1 year	1 - 5 years	In 5 years	Total
At 31 December 2013						
Liabilities						
Due to other banks	2,934	5,791	1,670	3,906	1,392	15,693
Due to customers	250,658	35,739	10,567	16,059	21,462	334,485
Debt securities in issue	112	31,975	63,353	74,674	42,378	212,492
Other debts (excluding employee benefits)	1,332	4,658	238	870	83	7,181
Other financial liabilities at fair value through profit and loss	69	821	1,511	6,892	22,280	31,573
Subordinated debt	-	5	-	94	12,055	12,154
Total financial liabilities	**255,105**	**78,989**	**77,339**	**102,495**	**99,650**	**613,578**
Financial guarantees	11,429	-	-	-	-	11,429

in millions of euros	On demand	Less than 3 months	3 months to 1 year	1 - 5 years	In 5 years	Total
At 31 December 2012						
Liabilities						
Due to other banks	2,520	16,113	2,057	5,272	1,295	27,257
Due to customers	237,363	56,396	11,180	15,165	18,938	339,042
Debt securities in issue	1	46,979	61,483	83,113	51,984	243,560
Other debts (excluding employee benefits)	1,515	7,176	446	834	18	9,989
Other financial liabilities at fair value through profit and loss	3,144	964	3,204	8,464	17,690	33,466
Subordinated debt	-	18	30	573	6,900	7,521
Total financial liabilities	**244,543**	**127,646**	**78,400**	**113,421**	**96,825**	**660,835**
Financial guarantees	14,904	-	-	-	-	14,904

The following table shows Rabobank's assets and liabilities grouped by the period remaining between the reporting date and the contract repayment date. These amounts correspond with the statement of financial position.

Contract repayment date

in millions of euros	On demand	Less than 3 months	3 months to 1 year	1 - 5 years	Longer than 5 years	Total
At 31 December 2013						
Financial assets						
Cash and cash equivalents	15,495	27,542	2	-	-	43,039
Due from other banks	6,380	30,730	2,376	1,138	220	40,844
Trading financial assets	50	1,868	544	1,802	1,025	5,289
Other financial assets at fair value through profit and loss	40	851	402	888	2,790	4,971
Derivative financial instruments	152	3,511	2,841	11,477	21,722	39,703
Loans to customers	27,749	33,300	33,823	89,947	275,383	460,202
Available-for-sale financial assets	70	3,917	3,040	11,778	27,606	46,411
Deferred tax assets	460	-	-	-	1,451	1,911
Other assets (excluding employee benefits)	989	4,789	1,153	1,441	427	8,799
Total financial assets	**51,385**	**106,508**	**44,181**	**118,471**	**330,624**	**651,169**
Financial liabilities						
Due to other banks	2,907	5,829	1,691	3,803	1,266	15,496
Due to customers	249,908	36,462	10,526	15,586	16,918	329,400
Debt securities in issue	112	31,850	62,865	70,110	30,424	195,361
Derivative financial instruments and other trade liabilities	888	3,958	2,872	16,454	25,999	50,171
Other debts (excluding employee benefits)	1,663	4,235	299	866	85	7,148
Other financial liabilities at fair value through profit and loss	70	653	1,533	7,076	9,737	19,069
Deferred tax liabilities	162	-	-	-	128	290
Subordinated debt	-	5	-	89	7,721	7,815
Total financial liabilities	**255,710**	**82,992**	**79,786**	**113,984**	**92,278**	**624,750**
Net liquidity surplus	**(204,325)**	**23,516**	**(35,605)**	**4,487**	**238,346**	**26,419**
in millions of euros	On demand	Less than 3 months	3 months to 1 year	1 - 5 years	Longer than 5 years	Total
At 31 December 2012						
Financial assets						
Cash and cash equivalents	64,198	3,903	2	-	-	68,103
Due from other banks	14,619	17,005	1,545	1,943	274	35,386
Trading financial assets	1,316	768	582	2,260	1,461	6,387
Other financial assets at fair value through profit and loss	-	8	1,217	1,205	3,481	5,911
Derivative financial instruments	300	4,912	4,374	22,332	33,505	65,423
Loans to customers	28,166	41,362	32,683	85,437	297,651	485,299
Available-for-sale financial assets	56	3,957	3,189	6,718	36,505	50,425
Deferred tax assets	62	-	-	-	898	960
Other assets (excluding employee benefits)	1,019	4,947	1,534	2,088	167	9,755
Total financial assets	**109,736**	**76,862**	**45,126**	**121,983**	**373,942**	**727,649**
Financial liabilities						
Due to other banks	2,520	16,101	2,047	5,157	1,234	27,059
Due to customers	238,013	56,293	10,962	14,309	14,694	334,271
Debt securities in issue	1	46,851	61,091	77,756	37,637	223,336
Derivative financial instruments and other trade liabilities	10,000	5,182	4,580	26,790	28,248	74,800
Other debts (excluding employee benefits)	1,570	6,800	466	828	38	9,702
Other financial liabilities at fair value through profit and loss	1,532	920	3,294	8,340	10,005	24,091
Deferred tax liabilities	23	-	-	-	163	186
Subordinated debt	-	12	22	540	4,833	5,407
Total financial liabilities	**253,659**	**132,159**	**82,462**	**133,720**	**96,852**	**698,852**
Net liquidity surplus	**(143,923)**	**(55,297)**	**(37,336)**	**(11,737)**	**277,090**	**28,797**

The above breakdown was compiled on the basis of contract information, without taking into account actual changes in items in the statement of financial position. This is taken into account, however, for the day-to-day management of the liquidity risk. Customer savings are an example. By contract, they are payable on demand. However, experience has shown that this is a very stable source of financing at the long-term disposal of Rabobank. The regulations of the supervisory authority also factor this in. Based on the liquidity criteria of the Dutch Central Bank, Rabobank had a substantial liquidity surplus at 31 December 2013 and throughout 2013. The average liquidity surplus was 40% (2012: 44%) of the total 1-month liquidity requirement. The surplus at 31 December 2013 was 30% (2012: 41%).

The liquidity requirements to meet payments under guarantees and standby letters of credit are considerably lower than the amount of the liabilities, as Rabobank does not generally expect that third parties to such arrangements will draw funds. The total open position relating to contractual obligations to provide credit does not necessarily represent Rabobank's future cash resource needs, as many of these obligations will lapse or terminate without financing being required.
The Basel Committee published a document in July 2013 entitled 'Global systemically important banks: updated assessment methodology and the higher loss absorbency requirement'. This document cites 12 indicators based on which banks can be classified as systemically important on a global scale. The document indicates that banks with a leverage ratio exposure exceeding EUR 200 billion disclose at least the 12 indicators – these indicators are detailed in the Capital Adequacy and Risk Management Report 2013.

4.7 Market risk

Rabobank is exposed to market risk. A market risk arises on open positions in relation to interest rates, currency, credit spreads, commodities and share-based products, all of which are affected by general and specific market movements. Rabobank employs a VaR method to estimate the market risk of positions it holds and the maximum expected losses. The method requires a number of assumptions to be made for various changes in market conditions. In order to estimate the risk under 'abnormal' market conditions as well, the effect of certain extreme events (event risk) on the value of the portfolios is also measured.
Each year, the Executive Board determines the risk appetite and corresponding VaR and event risk limits. These limits are converted into limits at book level and are monitored daily by the market risk management department. The risk position is reported to senior management on a daily basis and discussed in the various risk management committees each month. In addition to the VaR limits, a very extensive system of trading controls per book is in place. These controls include rotation risk (the risk of the yield curve rotating), delta limits per bucket, nominal limits and the maximum number of contracts, thus limiting risks that may offset each other in the VaR system.
The internal VaR model forms an integral part of Rabobank's risk management framework; it has also been approved by the Dutch Central Bank for determining the solvency requirement for market risk. Rabobank has opted to apply a VaR based on historical simulation for which one year's worth of historic data is used.
For internal risk management purposes, Rabobank has opted for a confidence level of 97.5% and a time horizon of 1 day. For solvency calculations a confidence level of 99% is prescribed by the supervisor for solvency calculations.
The major benefit of a VaR model based on historical simulation is that no assumptions need to be made in terms of distribution of possible value changes of the various financial instruments. A drawback is that a certain period of historical market movements needs to be selected, which may affect the level of the calculated VaR. Further to the requirements of the supervisory authority and after internal research, Rabobank has opted for a historical period of one year.
The actual results are regularly assessed through back testing in order to determine the validity of the assumptions and parameters/factors applied when calculating the VaR.

In addition to the VaR model, Rabobank employs a stress testing programme, which measures the effect of extreme yet plausible events not taken into account in the regular VaR model. Based in part on historical events, such as the stock market crash of 1987, the credit market turbulence of 1998 and the events seen in recent years, scenarios are analysed and sensitivity analyses performed. Complementing the VaR model with the stress test results enables Rabobank to obtain a more accurate perspective on risk positions.
The table below shows the composition of the VaR, divided into several components. A diversification benefit is obtained due to the fact that opposite positions in different books partially offset each other. Note 4.3 'Interest rate risk' provides analyses of the interest rate risk within the core business. The average VaR in 2013 was down from 2012.

VaR (1 day, 97.5%)

in millions of euros	Interest	Credit	Foreign currencies	Shares	Commodities	Diversification	Total
2013 - 31 December	4	2	1	1	-	(3)	4
2013 - average	6	2	-	1	1	n/a	6
2013 - highest	10	2	1	2	2	n/a	9
2013 - lowest	3	1	-	-	-	n/a	4
2012 - 31 December	8	1	1	2	1	(5)	8
2012 - average	9	3	1	3	-	n/a	12
2012 - highest	17	7	2	5	1	n/a	21
2012 - lowest	6	1	-	2	-	n/a	8

4.8 Operational risk

Operational risk is a risk category to which every single organisation is exposed. Rabobank Group has opted to manage its operational risks at group level from Group Risk Management. This section determines the policy as well as the frameworks for all entities within the group. Senior management of the individual group units is responsible for managing the specific operational risks, since the risks vary considerably per unit and need to be controlled as close to the source as possible. Group Risk Management subsequently ensures that the frameworks are observed and that the risks and risk control measures are transparent throughout the organisation.
In terms of the solvency requirement for operational risks, Rabobank applies a model that meets the demands of the Advanced Measurement Approach, which has been approved by the Dutch Central Bank. This model takes into account realised losses and the possible consequences of certain scenarios. Rabobank Group adopts a conservative approach. Another factor taken into account when calculating the solvency requirement is the quality of risk control.

4.9 Fair value of financial assets and liabilities

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

Cash and cash equivalents. The fair value of cash and cash equivalents is assumed to be almost equal to their carrying amount. This assumption is also used for highly liquid investments and the current component of all other financial assets and liabilities.

Due from other banks. Due from other banks comprise interbank placings and items to be collected. The fair values of floating rate placings and overnight deposits are their carrying amounts. The estimated fair value of fixed-interest deposits is based on the present value of the cash flows, calculated using appropriate money market interest rates for debts with comparable credit risks and terms to maturity.

Financial assets and derivative financial instruments held for trading. Financial assets and derivative financial instruments held for trading are carried at fair value based on available quoted market prices. If quoted market prices are not available, the fair value is estimated from discounted cash flow models and option valuation models. For derivatives, the bank factors in counterparty risk. Rabobank uses the latest market data to estimate this risk, including CDS curves and Monte Carlo simulations. Another factor taken into account is Rabobank's own credit rating.

Other financial assets at fair value through profit or loss. These financial assets are carried at fair value based on quoted market prices if available. If not, they are estimated from comparable assets on the market, or using valuation methods, including appropriate discounted cash flow models and option valuation models.

Loans to customers. The fair value of issued loans is estimated from the present value of the cash flows, using current market rates for similar loans. For variable-interest loans that are reviewed regularly and do not vary significantly in terms of credit risk, the fair value is based on the carrying amount until maturity.

Available-for-sale financial assets. Available-for-sale financial assets are measured at fair value based on listed market prices. If no listed market prices are unavailable, fair value is estimated based on models of discounted cash flows and option valuation models.

Other financial assets. For almost all other financial assets, the carrying amount is a good approximation of the fair value.

Due to other banks. Due to other banks comprise interbank placings, items to be delivered and deposits. The fair values of floating rate placings and overnight deposits are their carrying amounts. The estimated fair value of fixed-interest deposits is based on the present value of the cash flows, calculated using ruling money market interest rates for debts with comparable credit risks and terms to maturity.

Trade liabilities. The fair value of trade liabilities is based on available quoted market prices. If quoted market prices are not available, the fair value is estimated from valuation models.

Other financial liabilities at fair value through profit or loss. The fair value of these liabilities is based on available quoted market prices. If quoted market prices are not available, the fair value is estimated from discounted cash flow models and option valuation models.

Due to customers. Due to customers include current accounts and deposits. The fair value of savings and current accounts that have no specific termination date is assumed to be the amount payable on demand at the reporting date, i.e. their carrying amount at that date. The fair value of the deposits is estimated from the present value of the cash flows, based on current bid rates of interest for similar arrangements with terms to maturity that match the items to be measured. The carrying amount of variable-interest deposits is a good approximation of their fair value at the reporting date.

Debt and other instruments issued by Rabobank. The fair value of these instruments is calculated using quoted market prices. For notes for which no quoted market prices are available, a discounted cash flow model is used, based on a current yield curve appropriate for the term to maturity.

	2013		2012	
in millions of euros	Carrying amount	Fair value	Carrying amount	Fair value
Assets				
Cash and cash equivalents	43,039	43,012	68,103	68,097
Due from other banks	40,844	40,878	35,386	35,485
Trading financial assets	5,289	5,289	6,387	6,387
Other financial assets at fair value through profit or loss	4,971	4,971	5,911	5,911
Derivative financial instruments	39,703	39,703	65,423	65,423
Loans to customers	460,202	466,714	485,299	496,591
Available-for-sale financial assets	46,411	46,411	50,425	50,425
Total financial assets	**640,459**	**646,978**	**716,934**	**728,319**
Liabilities				
Due to other banks	15,496	15,470	27,059	27,112
Due to customers	329,400	332,072	334,271	334,596
Debt securities in issue	195,361	199,458	223,336	231,559
Derivative financial instruments and other trade liabilities	50,171	50,171	74,800	74,800
Other financial liabilities at fair value through profit or loss	19,069	19,069	24,091	24,091
Subordinated debt	7,815	8,103	5,407	6,130
Total financial liabilities	**617,312**	**624,343**	**688,964**	**698,288**

The above-stated figures represent the best possible estimates by management, based on a range of methods and assumptions. If a quoted market price is available, this is the best estimate of fair value.
If no quoted market prices are available for fixed-term securities, equity instruments, derivative financial instruments and commodity instruments, Rabobank bases the fair value on the present value of the future cash flows, discounted at market rates corresponding to the credit ratings and terms to maturity of the investments. Also, a model-based price can be used to determine fair value.
Rabobank's policy is to have all models used for valuing financial instruments validated by expert staff who are independent of the staff who determine the fair values of the financial instruments.
In determining market values or fair values, various factors have to be considered, such as the time value of money, volatility, underlying options, warrants and derivative financial instruments. Other factors include liquidity and the creditworthiness of the counterparty. The valuation process has been designed such that market prices that are available on a periodic basis are systematically used. This systematic valuation process has proved its worth during the credit market crisis. Modifications to assumptions might affect the fair value of trading and non-trading financial assets and liabilities.
The table on the next page illustrates the fair value hierarchy used in determining the fair value of financial assets and liabilities. The breakdown is as follows:

- category 1: Quoted prices in active markets for identical assets or liabilities; an 'active market' is a market in which transactions relating to the asset or liability occur with sufficient frequency and at a sufficient volume in order to provide price information on a permanent basis.
- category 2: Inputs other than quoted prices included in category 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- category 3: Inputs for the asset or liability not based on observable market data.

Rabobank determines for recurrent valuations of financial instruments at fair value when transfers between the various categories of the fair-value hierarchy occurred by reassessing the category during each new reporting period.

in millions of euros	Category 1	Category 2	Category 3	Total
At 31 December 2013				
Assets				
Cash and cash equivalents	1,709	41,303	-	43,012
Due from other banks	1,790	31,818	7,270	40,878
Trading financial assets	2,959	2,155	175	5,289
Other financial assets at fair value through profit or loss	371	2,994	1,606	4,971
Derivative financial instruments	591	38,765	347	39,703
Loans to customers	1,001	116,733	348,980	466,714
Available-for-sale financial assets	42,456	3,645	310	46,411
Non-current assets held for sale and discontinued operations	-	-	9,180	9,180
Liabilities				
Due to other banks	23	14,540	907	15,470
Due to customers	2	71,484	260,586	332,072
Debt securities in issue	1,380	170,099	27,979	199,458
Derivative financial instruments and other trade liabilities	2,036	48,061	74	50,171
Other financial liabilities at fair value through profit or loss	1,787	17,228	54	19,069
Subordinated debt	8,064	39	-	8,103
Liabilities held for sale and discontinued operations	-	-	7,825	7,825
in millions of euros				
At 31 December 2012				
Assets				
Trading financial assets	4,107	2,197	83	6,387
Other financial assets at fair value through profit or loss	251	4,003	1,657	5,911
Derivative financial instruments	471	64,707	245	65,423
Available-for-sale financial assets	43,889	6,438	98	50,425
Liabilities				
Derivative financial instruments and other trade liabilities	2,406	72,273	121	74,800
Other financial liabilities at fair value through profit or loss	1,038	23,037	16	24,091

The potential effect before taxation, if more positive reasonable assumptions are made for the valuation of financial instruments in category 3 on the profit or loss account, is 212 (2012: 168); on equity, it is nil (2012: 1). The positive effect before taxation, if more negative reasonable assumptions are used for the valuation of financial instruments in category 3 on the profit or loss account, is -212 (2012: -165) and nil on equity (2012: -1). Category 3 of the derivatives includes an amount of 281 relating to the option acquired on issuing Rabobank (Member) Certificates. In December, Rabobank entered into an agreement with a third party in order to transfer Rabobank (Member) Certificates from the custodial capacity (Treasury Stock and trading stock) to institutional investors. This agreement provides for a purchased cash-settled call option arising on the issue of Rabobank (Member) Certificates, based on the value of the Transitional Certificates or Rabobank Certificates (RCs). The issue option was used on two occasions, and the options arising as a result were valued based on the trading data for the Rabobank (Member) Certificates in the internal market and the credit spread changes of Rabobank instruments on the Wholesale market, which is the primary market for this instrument. The credit spread change during December on subordinated Rabobank securities was translated, by means of an estimated transformation ratio to a spread change which is in line with the characteristics of the Rabobank Certificates. A sensitivity analysis was performed for the estimated transformation ratio by investigating what transformation ratio exists in the market at the end of December and historically between a wide spectrum of unsecured Tier-1 and Tier-2 instruments. The sensitivity analysis reveals that the ratios for these instruments fall mostly between 0.8 and 1.2 of the ratio used. The impact of this sensitivity on the valuation of the options is 48 higher or lower. The effects of the modified yield curve for the period for the time at which the options were acquired until 31 December are accounted for separately.

Category 3 of the other financial assets at fair value through profit or loss includes both debt instruments and private equity interests. The latter account for 427, and a significant non-observable input for the valuation of these interests is the multiplier. This is determined at the time the interests are acquired and is applied to the EBITDA. The average weighted multiplier is 6.0, with a range of -1 and +1 of the multiplier. The majority of debt instruments constitute structured investments (RMBS and CDO) at an amount of 936. The main input for valuating these instruments is the market price, but the market for these instruments is illiquid. The prices have therefore been adjusted in order to determine fair value.

Financial instruments at fair value in category 3

in millions of euros	At 1 January 2013	Fair value changes through profit or loss	Fair value changes through equity	Purchases	Sales	Settlements	Transferred to held for sale/ discontinued operations	Transfers to or from category 3	At 31 December 2013
At 31 December 2013									
Assets									
Trading financial assets	83	(2)	-	128	(24)	(4)	-	(6)	175
Other financial assets at fair value through profit or loss	1,657	(32)	-	344	(488)	(152)	-	277	1,606
Derivative financial instruments	245	(56)	-	152	-	6	(1)	1	347
Available-for-sale financial assets	98	2	8	299	(89)	(2)	(6)	-	310
Liabilities									
Derivative financial instruments and other trade liabilities	121	(62)	-	-	-	-	(1)	16	74
Other financial liabilities at fair value through profit or loss	16	11	-	88	(57)	(4)	-	-	54

The table shows movements in the financial instruments which are stated at fair value in the statement of financial position and which are classified in category 3. This category includes derivative financial instruments received by Rabobank as compensation for the issue in December 2013 of the Rabobank (Member) Certificates, along with a cash amount. The first valuation of this derivative financial instrument is 152 and is recognised under retained earnings.

The fair value adjustments in category 3 which are included in equity are accounted for in the revaluation reserves for available-for-sale financial assets.
In 2013, debt instruments in the amount of 277 were transferred from category 2 to category 3 as a result of a decrease in the number of usable ratios for fair value determination. There were no significant transfers between category 1 and category 2 in 2013.

Financial instruments at fair value in category 3

in millions of euros	At 1 January 2012	Fair value changes through profit or loss	Fair value changes through equity	Purchases	Sales	Settlements	Transferred to held for sale/ discontinued operations	Transfers to or from category 3	At 31 December 2012
At 31 December 2012									
Assets									
Trading financial assets	404	2	-	-	(98)	(21)	(187)	(17)	83
Other financial assets at fair value through profit or loss	1,496	127	-	597	(551)	(10)	-	(2)	1,657
Derivative financial instruments	421	(158)	-	-	(23)	5	-	-	245
Available-for-sale financial assets	227	7	(1)	4	(2)	(33)	(99)	(5)	98
Liabilities									
Derivative financial instruments and other trade liabilities	205	(81)	-	-	(2)	(1)	-	-	121
Other financial liabilities at fair value through profit or loss	129	(1)	-	-	-	(13)	(83)	(16)	16

The amount in total gains or losses presented in the statement of income for the period relating to the assets and liabilities held in category 3 until the end of the reporting period is presented in the table below.

Financial instruments in category 3 - fair value changes through profit or loss			
in millions of euros	Recognised	Derecognised	Total
At 31 December 2013			
Assets			
Trading financial assets	(3)	1	(2)
Other financial assets at fair value through profit or loss	(58)	26	(32)
Derivative financial instruments	78	(134)	(56)
Available-for-sale financial assets	2	-	2
Liabilities			
Derivative financial instruments and other trade liabilities	(53)	(9)	(62)
Other financial liabilities at fair value through profit or loss	11	-	11
At 31 December 2012			
Assets			
Trading financial assets	(13)	15	2
Other financial assets at fair value through profit or loss	56	71	127
Derivative financial instruments	(54)	(104)	(158)
Available-for-sale financial assets	7	-	7
Liabilities			
Derivative financial instruments and other trade liabilities	(78)	(3)	(81)
Other financial liabilities at fair value through profit or loss	(1)	-	(1)

The table below shows the changes in deferred profit of the trading financial assets which were initially recognised at a value determined using a valuation technique based on data input not substantiated by market prices.

Provision for Day 1 profit		
in millions of euros	2013	2012
Opening balance	37	42
Additions	11	41
Amortisation	(15)	(29)
Changes	(6)	(17)
Closing balance	**27**	**37**

4.10 Securities services

Rabobank provides management, advisory and custody services. Assets held in connection with fiduciary activities are not disclosed in these financial statements. As part of its management services, Rabobank has to make decisions on the allocation, purchase and sale of a wide variety of financial instruments. For some of the arrangements, Rabobank has agreed to achieve return targets for the assets under its management. Rabobank provides advisory services to third parties with regard to buy and sell orders.
With these management and advisory services, Rabobank could be exposed to the risk of being held liable for inadequate management, advice or performance.

4.11 Legal proceedings

General information

Rabobank Group is involved in a number of legal and arbitration proceedings in the Netherlands and other countries, including the United States, in connection with claims brought by and against Rabobank Group arising from its business operations. Although it is not possible to predict eventual outcomes or determine them for all current or impending legal proceedings, Rabobank Group is of the view that the eventual outcome of the various current proceedings and/or any future legal proceedings will not adversely affect its financial position or profitability, based on its size, strong balance sheet, stable flow of revenues and provisions policy.

Fortis

The Dutch Investors' Association (VEB) served a summons on Fortis N.V. (currently trading as Ageas N.V.), the underwriters involved – including Rabobank – and the former directors of Fortis N.V. In the summons, the Dutch Investors' Association states that investors were misled by the prospectus published by Aegas N.V. in connection with its rights issue of September 2007. The Association states that the impact and risks of the sub-prime crisis on Fortis and the latter's liquidity position were inaccurately represented in the prospectus and has requested a notice of law stating that the parties summoned acted in violation of the law and must therefore be held liable for the losses suffered by investors in Fortis. However, the Association has failed to provide supporting evidence for the alleged loss cited of EUR 18 billion. The legal proceedings involve a settlement of large-scale loss, which means that the court will only rule on the question of whether or not the defendants, including Rabobank, are liable. Depending on the outcome of the proceedings, it will become clear whether separate proceedings for the purpose of assessing the damages may be expected in the future. Rabobank has defended itself against the claim, and is currently unable to assess the outcome of these proceedings or any court cases to be brought in the future.

Libor/Euribor

Rabobank has been a member at various times of eight London Interbank Offered Rate (Libor) panels and the Interbank Offered Rate (Euribor) panel. Currently, Rabobank is a member of the Libor panels for the British Pound Sterling (GBP), the US Dollar (USD) and the Euro (EUR). Rabobank has not been a member of the panel for the Tokyo Interbank Offered Rate (Tibor).

Starting early 2010, Rabobank has been receiving claims and requests for documentation and information from various regulators and competition and criminal-law authorities based in a number of different countries, including the Netherlands, the United Kingdom, the United States (US), Japan, Hong Kong, Singapore and Switzerland. These documents and information were requested in relation to pending investigations by these regulators and other organisations. These investigations relate to the process of submitting interest rates, including for the purpose of determining the Libor and Euribor interests rates.

On 29 October 2013, Rabobank entered into settlements and agreements with the United States Department of Justice, the United States Commodity Futures Trading Commission, the UK Financial Conduct Authority, and the Public Prosecution Service and the Dutch Central Bank in the Netherlands. These settlements and agreements relate to the submission of interest rates, including Libor and Euribor. Additional information regarding the settlements and agreements is available at the corporate website. There are still a small number of investigations pending into these issues. Rabobank will continue to cooperate fully in these investigations.

As part of the arrangements described above, Rabobank has paid a total amount of approximately EUR 774 million in settlements. In the interim results for 2013, published on 22 August 2013, Rabobank had made a provision that covered the largest portion of this settlement amount. The amount which was not covered by the provision was deducted from the profit for 2013 in the second half of the year. The payment of the settlement amount will have no material effect on Rabobank's financial position.

Along with several other panel banks, Rabobank has been summoned in a number of class-action suits and individual civil court cases in the United States. These cases were referred to federal and local courts of law and involve claims relating to USD Libor, Japanese Yen Libor (JPY Libor), Tibor, and Euribor.

A number of class-action suits and individual civil court cases relating to USD Libor have been combined into a Multi-District Litigation (11-md-2262-NRB) (the 'MDL'). These cases are being reviewed by the U.S. District Court for the Southern District of New York (the 'Southern District') in coordinated pre-trial proceedings. In 2012, several claimants in the MDL submitted six amended claims (collectively referred to as the 'MDL claims'), in which they state that the USD Libor panel banks conspired together to keep the USD Libor submissions artificially low: (I) in order to represent their actual financing costs as lower than they are in reality; and (II) in order to pay a lower interest on financial products that were linked to USD Libor, which the parties summoned (subpoenaed) in the MDL sold to their investors. The parties summoned in the MDL submitted a joint request for the MDL Claims to be denied. In March 2013, the District Court delivered a judgment (the 'Judgment'), in which virtually all MDL Claims were denied, with the exception of several claims brought pursuant to the US Commodities Exchange Act.

The claimants and defendants submitted a number of different requests following the Judgment of March 2013, and they are expected to continue this course of action. In August 2013, the District Court rendered a judgment in which a number of these requests were denied.

Several other claimants have instituted USD Libor-related proceedings since August 2013. The defendants in the MDL have attempted to combine each of these cases with the MDL. The proceedings which have been made part of the MDL and which entail claims as referred to in the Judgment of March 2013 were tabled by order of the District Court on 3 May 2013.

In February 2013, claimant 7 West 57th St. Realty Co. (7 West 57th) in the Southern District submitted a claim entitled 7 West 57th St. Realty Co. v. Citigroup, Inc. et al. (13-CV-00981), in which the USD Libor panel banks are listed as defendants. Claimant 7 West 57th St. Realty Co. brought an amended claim on 11 June 2013, in which it alleges that the defendants conspired together with the objective of manipulating USD Libor and keeping it at an artificially low level, except between September 2008 and October 2008, when the defendants allegedly artificially increased USD Libor. The defendants submitted a request in August 2013 for the 7 West 57th claim to be denied.

In April 2012, claimant Jeffrey Laydon (Laydon) brought a claim in the Southern District, known as Laydon v. Mizuho Bank, Ltd., et al., 12-CV-3419 (GBD). Laydon subsequently submitted amended claims, the most recent of which alleges that the JPY Libor and Tibor panel banks deliberately made artificial Euroyen Tibor and JPY Libor, as a result of which Euroyen Tibor futures were traded at artificial price levels. The defendants submitted a request in June 2013 for the Laydon claim to be denied.

In February 2013, claimants Stephen Sullivan and White Oak Fund, LP (Sullivan) brought a class action suit in the Northern District of Illinois, Sullivan v. Barclays PLC, et al., in which several Euribor panel banks are listed as defendants. This case has been referred to the Southern District. Following Rabobank's settlements with the above-mentioned authorities in October 2013, Sullivan submitted an amended claim in which Rabobank and other parties have been added as defendants. In addition, the claimants also allege in this amended claim that the defendants conspired to manipulate Euribor and the prices of Euribor-based derivatives.
On 11 November 2013, the court tabled the obligation of the defendants to respond to the amended claim until Sullivan has brought a second amended claim.

The above-mentioned class-action suits and civil proceedings, along with any future proceedings conducted in the United States or elsewhere are by their very nature subject to uncertainty, making their outcomes difficult to predict. Rabobank nevertheless maintains that it has substantive and persuasive legal and factual objections to these claims. Rabobank intends to continue defending itself against these claims with all its powers.

5 Business segments

The business segments Rabobank uses in its reporting are defined from a management viewpoint. This means they are the segments that are reviewed as part of Rabobank's strategic management and for the purpose of making business decisions, and have different risks and returns.
Rabobank distinguishes six major business segments: Domestic retail banking, Wholesale and international retail banking, Asset management, Leasing, Real estate, and Other segments.
The Domestic Retail Banking business mainly comprises the activities of the local Rabobanks, Obvion, Roparco and Friesland Bank. The Wholesale Banking business and International Retail Banking business – Rabobank International – supports Rabobank Group in achieving market leadership in the Netherlands, and focuses on the food and agricultural sector at the international level. Rabobank International is engaged in regional corporate banking activities, as well as maintaining multinational business units such as Global Financial Markets, Structured Finance, Leveraged Finance, Renewable Energy & Infrastructure Finance, International Direct Retail Banking, Trade & Commodity Finance and Rabo Private Equity. The international retail banking businesses is conducted under the Rabobank label, with the exception of ACCBank and Bank BGZ.
The Asset Management segment consists mainly of the activities of Robeco (until 1 July 2013) and Schretlen & Co. Additional information about the sale of Robeco is included in Note 44, 'Acquisitions and disposals'. Since the date of the legal merger (21 June 2013), Robeco's banking business are no longer reported in the Asset Management segment, but rather in the Domestic Retail Banking business.
The Leasing-De Lage Landen segment is responsible for the leasing business and provides a comprehensive range of leasing, trading and consumer finance products in the Dutch home market. De Lage Landen provides sales support to manufacturers, vendors and distributors worldwide through asset-financing products. De Lage Landen operates in European markets with the Athlon Car Lease leasing company.
The core businesses of the Real Estate – Rabo Real Estate Group segment, which holds investments, are residential and commercial real estate, finance and asset management. In the Dutch market, Rabo Real Estate Group operates the Bouwfonds Ontwikkeling, MAB Development, FGH Bank and Bouwfonds Investment Management brands. The Other Rabobank segments are comprised of various sub-segments, of which no single segment should be listed separately. The Other segments mainly include the financial results of associates (particularly Achmea B.V.) and the head office operations. There are no customers who own a share of more than 10% in Rabobank's total revenues.
Transactions between the various business segments are conducted subject to standard commercial terms and market conditions. In the Domestic Retail Banking business, the dividend provided to local Rabobanks included under 'Other results' is nil (2012: 493). Profit from the sale of Robeco is included in 'Other segments'. Expenses relating to the Libor settlement is stated in the Wholesale Banking and International Retail Banking Business segment. The income generated by the termination of the defined-benefit pension scheme has been allocated to the segments based on the pension base.
Apart from operating activities, there is no other material comprehensive income between the business segments. A segment's operating activities comprise business assets and liabilities, i.e. a large portion of the balance sheet excluding items such as tax. The accounting principles used for the segments are identical to those described in the summary of key financing reporting principles.

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

in millions of euros	Domestic retail banking	Wholesale banking and international retail banking	Asset management	Leasing	Real estate	Other segments	Consolidation effects/hedge accounting	Total
Value adjustments in loans to customers								
At 1 January	1,974	845	-	467	**376**	53	-	3,715
Additional impairment for credit losses	1,979	1,000	-	276	**520**	16	-	3,791
Reversal of impairment for credit losses	(582)	(408)	-	(40)	**(6)**	(9)	-	(1,045)
Defaulting loans written off during the year	(1,270)	(487)	-	(223)	**(34)**	(10)	-	(2,024)
Interest and other adjustments	124	(346)	-	(25)	**(14)**	1	-	(260)
Closing balance	**2,225**	**604**	**-**	**455**	**842**	**51**	**-**	**4,177**
Individual value adjustment (specific provision)	1,817	423	-	262	**758**	47	-	3,307
Collective value adjustment (collective provision)	256	13	-	111	**-**	-	-	380
IBNR	152	168	-	82	**84**	4	-	490
Closing balance	**2,225**	**604**	**-**	**455**	**842**	**51**	**-**	**4,177**

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

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
Value adjustments in loans to customers								
At 1 January	1,501	889	1	451	205	42	-	3,089
Additional impairment for credit losses	1,757	1,214	-	264	240	26	-	3,501
Reversal of impairment for credit losses	(416)	(572)	(2)	(64)	(2)	(8)	-	(1,064)
Defaulting loans written off during the year	(1,370)	(658)	-	(196)	(67)	(6)	-	(2,297)
Interest and other adjustments	502	(28)	1	12	-	(1)	-	486
Closing balance	**1,974**	**845**	**-**	**467**	**376**	**53**	**-**	**3,715**
Individual value adjustment (specific provision)	1,639	592	-	274	353	50	-	2,908
Collective value adjustment (collective provision)	205	40	-	108	-	-	-	353
IBNR	130	213	-	85	23	3	-	454
Closing balance	**1,974**	**845**	**-**	**467**	**376**	**53**	**-**	**3,715**

	Income from external clients	Additions to property and equipment and intangible assets	Income from external clients	Additions to property and equipment and intangible assets
	At 31 December 2013		At 31 December 2012	
in millions of euros				
The Netherlands	9,090	1,091	9,190	1,742
Other eurozone	454	85	528	123
Rest of Europe (Non-eurozone)	787	53	1,138	111
North America	1,589	527	1,843	88
Latin America	504	6	521	3
Asia	304	3	337	8
Australia	293	13	262	78
Other and consolidation effects	(1)	-	(203)	-
Total	**13,020**	**1,778**	**13,616**	**2,153**

6 *Cash and cash equivalents*

in millions of euros	2013	2012
Cash	954	1,002
Money market loans	-	7
Deposits at central banks other than mandatory reserve deposits	35,802	66,196
	36,756	**67,205**
Mandatory reserve deposits at central banks	6,283	898
Total cash and cash equivalents	**43,039**	**68,103**

Mandatory reserve deposits consist of deposits with the Dutch Central Bank required under its minimum reserve policy.

7 *Due from other banks*

in millions of euros	2013	2012
Deposits with other banks	12,276	13,275
Reverse repurchase transactions and securities borrowing agreements	22,418	16,848
Loans	5,758	4,446
Other	63	80
Less: value adjustments	(51)	(48)
	40,464	**34,601**
Reclassified assets	380	785
Total due from other banks	**40,844**	**35,386**
Breakdown of value adjustments		
At 1 January	48	51
Additional impairment for credit losses	3	-
Reversal of impairment for credit losses	(10)	(11)
Value adjustments	**(7)**	**(11)**
Other changes	10	8
At 31 December	**51**	**48**

Value adjustments of 'Due from other banks' have been recognised in the statement of income as 'Value adjustments'. The gross carrying amount of Due from other banks whose value adjustments were established on an individual basis is 55 (2012: 55).

8 Trading financial assets

in millions of euros	2013	2012
Purchased loans	1,171	1,767
Short-term government securities	204	688
Government bonds	1,086	935
Other debt securities	2,109	1,690
Equity instruments	719	1,307
Total	**5,289**	**6,387**

9 Other financial assets at fair value through profit or loss

in millions of euros	2013	2012
Government bonds	63	4
Other debt securities	2,917	3,738
Loans	1,056	1,026
Venture capital (equity instrument)	549	784
Other equity instruments	386	359
Total	**4,971**	**5,911**

The change in the year under review in the fair value of the loans designated as at fair value through profit or loss that is attributable to the changes in credit risk is -18 (2012: -9). The cumulative change is -48 (2012: -30). Any changes in credit risk are calculated by discounting future cash flows. When setting the discount rate, account is taken of expected losses, the liquidity mark-ups and the risk margin.
No credit derivative financial instruments are used to hedge the loans designated as at fair value through profit and loss.

10 Derivative financial instruments and other trade liabilities

10.1 Types of derivative instruments used by Rabobank

Forward currency and interest rate contracts are contractual obligations to receive or pay a net amount based on changes in exchange or interest rates, or to purchase or sell foreign currency or a financial instrument on a future date at a fixed specified price in an organised financial market. As collateral for forward contacts is provided in the form of cash, cash equivalents or marketable securities, and changes in the value of forward contracts are settled daily, the credit risk is negligible.
Forward rate agreements are individually agreed forward interest rate contracts under which the difference between a contractually agreed interest rate and the market rate on a future date has to be settled in cash, based on a notional principal amount.
Currency and interest rate swaps are commitments to exchange one set of cash flows for another. Swaps entail an economic exchange of currencies or interest rates (such as a fixed rate for one or more variable rates), or a combination (i.e. a cross-currency swap). Except for certain currency swaps, there is no transfer of the principal amount. The credit risk exposure of Rabobank represents the potential cost of replacing the swaps if the counterparties default. The risk is monitored continuously against current fair value, a portion of the notional amount of the contracts and the liquidity of the markets. As part of the credit risk management process, Rabobank employs the same methods for evaluating counterparties as it does for evaluating its own lending activities.

Currency and interest rate options are contracts under which the seller (known as the writer) gives the buyer (known as the holder) the right, entailing no obligation, to purchase (in the case of a call option) or sell (in the case of a put option) a specific amount of foreign currency or a specific financial instrument on or before an agreed date or during an agreed period at a price set in advance. As consideration for accepting the currency or interest rate risk, the writer receives a payment (known as a premium) from the holder. Options are traded on exchanges or between Rabobank and clients (OTC). Rabobank is exposed to credit risks only as option holder and only up to the carrying amount, which is equal to the fair value in this case.
Credit default swaps (CDSs) are instruments by means of which the seller of a CDS undertakes to pay the buyer an amount equal to the loss that would be incurred by holding an underlying reference asset if a specific credit event were to occur (i.e. the materialisation of a risk). The buyer is under no obligation to hold the underlying reference asset.
The buyer pays the seller a credit protection fee expressed in basis points, with the size of the fee depending on the credit spread of the reference asset.

10.2 Derivative financial instruments issued or held for trading

Rabobank trades in financial instruments to take positions in tradable or OTC instruments, including derivative financial instruments, so that it can profit from short-term movements on share and bond markets and in exchange and interest rates. For this type of trading, Rabobank sets risk limits relating to market positions at the end of the day (overnight trades) as well as during the day (intraday trades). Except under specific hedging arrangements, the currency and interest rate risks associated with these derivative financial instruments are usually offset by taking counter positions in order to manage the volatility in the net amounts needed to liquidate the market positions.

10.3 Derivative financial instruments held as hedges

Rabobank concludes various derivative contracts that are intended as fair value, cash flow or net investment hedges, and which accordingly qualify as such. Rabobank also concludes derivative contracts as hedges against economic risks. It does not apply hedge accounting to these contracts.

Fair value hedges

The main components of Rabobank's fair value hedge are interest-rate swaps and cross-currency swaps which serve as protection against a potential change in the fair value of fixed-income financial assets and liabilities in both local and foreign currencies. The net fair value of these swaps as at 31 December 2013 was -10,427 (2012: -16,131).
Rabobank hedges a portion of its existing currency and interest-rate risk of securities issued or by means of fair value hedges in the form of cross-currency interest-rate swaps. The net fair value of these interest-rate swaps as at 31 December is 1,947 (2012: 2,246). For the year ending on 31 December 2013, Rabobank reported a profit of 215 (2012: -17) as a result of the portion of the fair value hedges which was classified as ineffective hedges.
For the year ending on 31 December 2013, Rabobank reported a profit of 2,782 (2012: -5,250) for the hedging instruments. Total profit from the hedged position, attributable to the hedged risk, totalled -2,567 (2012: 5,233).

Cash-flow hedges

Rabobank's cash-flow hedges consist mainly of cross-currency interest-rate swaps which serve to protect against a potential change in cash flows from financial assets in foreign currencies with floating interest rates. The net fair value of the cross-currency interest-rate swaps, classified as cash-flow hedge as at 31 December 2013 is -2,405 (2012: 408).

In 2013, Rabobank accounted for an amount of -1,450 (2012: 145) after taxation in equity as effective changes in the fair value of derivatives in cash-flow hedges. In 2013, an amount of 1,459 (2012:7) after taxation of cash-flow hedge reserves was reclassified to the profit or loss account. The cash-flow hedge reserves as part of equity totalled 49 (2012: 40) at 31 December 2013. This amount fluctuates along with the fair value of the derivatives in the cash-flow hedges and is accounted for in profit over the term of the hedged positions as trading profit. The cash-flow hedge reserve relates to a large number of derivatives and hedged positions with different terms. The maximum term is 97 years, with the largest concentrations exceeding 5 years.
For the year ending on 31 December 2013, Rabobank reported a profit of 225 (2012: 228) as a result of the portion of the cash-flow hedges classified as ineffective hedges.

Net investment hedges

Rabobank uses foreign forward-exchange contracts to hedge a portion of the currency translation risk of net investments in foreign entities. The net fair value of these foreign forward-exchange contracts as at 31 December 2013 was 29 (2012: 40).
As at 31 December 2013, futures contracts with a nominal amount of 2,386 (2012: 2,654) were designated as net investment hedges. These resulted in exchange gains and losses of 279 for the year (2012: 51), which are deferred in equity. No withdrawals were made from equity during the year (2012: 107). For the year ending 31 December 2013, Rabobank reported no ineffectiveness resulting from the net investment hedges.

10.4 Notional amount and fair value

Although the notional amount of certain types of financial instruments provides a basis for comparing instruments that are included in the statement of financial position, it does not necessarily represent the related future cash flows or the fair values of the instruments. Hence, it does not represent the exposure of Rabobank to credit or exchange risks. It is the amount of the asset or the reference rate or index underlying a derivative financial instrument, representing the basis on which changes in a derivative financial instrument's value are measured. It provides an indication of the volume of transactions executed by Rabobank; it is not a measure of risk exposure, however. Some derivative financial instruments are standardised in terms of notional amount or settlement date, having been designed for trading on active markets (i.e. on stock exchanges). Others are specifically constructed for individual clients and not for trading on an exchange, even though they can be traded at prices negotiated by buyers and sellers (OTC instruments).
The positive fair value represents the cost for Rabobank to replace all contracts on which it will be entitled to receive payment. Replacement would apply in the event of all counterparties remaining in default. This is the standard method in the industry for calculating the current credit risk exposure. The negative fair value represents the cost of all Rabobank contracts on which it will have to make payment. Replacement would apply in the event of Rabobank remaining in default. The total of positive fair values and the total of negative fair values are disclosed separately in the statement of financial position. Derivative financial instruments are positive (assets) or negative (liabilities) as a result of fluctuations in market or exchange rates in relation to their contract values. The total contract amount or notional amount of derivative financial instruments held, the degree to which these instruments are positive or negative, and hence the total fair value of the derivative financial assets and liabilities can sometimes fluctuate significantly.
The next table shows the notional amounts and the positive and negative fair values of Rabobank's derivative contracts.

in millions of euros	Notional amounts	Fair values	
At 31 December 2013		Assets	Liabilities
Derivative financial instruments held for trading	2,749,767	36,147	34,272
Derivative financial instruments held as hedges	131,042	3,556	14,441
Short positions shares and bonds	-	-	1,458
Total derivative financial assets/liabilities recognised	**2,880,579**	**39,703**	**50,171**
Derivative financial instruments held for trading			
Currency derivative financial instruments			
Unlisted tradable contracts (OTC)			
Forward currency contracts	40,423	391	339
Currency swaps	333,171	4,175	5,172
Currency options	3,681	41	41
Cross-currency interest rate swaps	17	5	1
Listed tradable contracts			
Currency futures	3,808	11	5
Options	257	17	8
Total currency derivative financial instruments	**381,357**	**4,640**	**5,566**
Interest rate derivative financial instruments			
Unlisted tradable contracts (OTC)			
Interest rate swaps	2,009,856	26,818	23,483
Forward rate agreements	166,404	-	1
Interest rate options	113,487	3,028	3,103
Total OTC contracts	**2,289,747**	**29,846**	**26,587**
Listed tradable contracts			
Interest rate swaps	47,937	2	1
Total interest rate derivative financial instruments	**2,337,684**	**29,848**	**26,588**
Credit derivative financial instruments			
Credit default swaps	3,815	23	10
Total return swaps	4,036	173	442
Total credit derivative financial instruments	**7,851**	**196**	**452**
Equity instruments/index derivative financial instruments			
Unlisted tradable contracts (OTC)			
Options	2,137	340	300
Listed tradable contracts			
Futures	37	-	-
Options	7,643	373	372
Total equity instruments/index derivative financial instruments	**9,817**	**713**	**672**
Other derivative financial instruments	13,058	750	994
Total derivative financial assets/liabilities held for trading	**2,749,767**	**36,147**	**34,272**
Derivative financial instruments held as hedges			
Derivative financial instruments designated as fair value hedges			
Currency swaps and cross-currency interest rate swaps	47,264	2,019	72
Interest rate swaps	63,733	1,071	11,498
Total derivative financial instruments designated as fair value hedges	**110,997**	**3,090**	**11,570**
Derivative financial instruments designated as cash flow hedges			
Currency swaps and cross-currency interest rate swaps	20,045	466	2,871
Interest rate swaps	-	-	-
Total derivative financial assets/liabilities designated as hedges	**131,042**	**3,556**	**14,441**

in millions of euros	Notional amounts	Fair values	
At 31 December 2012		Assets	Liabilities
Derivative financial instruments held for trading	3,226,028	60,026	54,376
Derivative financial instruments held as hedges	146,118	5,397	18,861
Short positions shares and bonds	-	-	1,563
Total derivative financial assets/liabilities recognised	**3,372,146**	**65,423**	**74,800**
Derivative financial instruments held for trading			
Currency derivative financial instruments			
Unlisted tradable contracts (OTC)			
Forward currency contracts	21,217	324	358
Currency swaps	378,243	6,625	6,478
Currency options	4,190	50	41
Cross-currency interest rate swaps	306	20	1
Listed tradable contracts			
Currency futures	3,771	4	4
Options	430	19	7
Total currency derivative financial instruments	**408,157**	**7,042**	**6,889**
Interest rate derivative financial instruments			
Unlisted tradable contracts (OTC)			
Interest rate swaps	2,024,263	46,447	39,564
Forward rate agreements	548,106	251	266
Interest rate options	131,457	4,542	4,478
Total OTC contracts	**2,703,826**	**51,240**	**44,308**
Listed tradable contracts			
Interest rate swaps	64,532	1	18
Total interest rate derivative financial instruments	**2,768,358**	**51,241**	**44,326**
Credit derivative financial instruments			
Credit default swaps	7,681	368	47
Total return swaps	8,392	378	983
Total credit derivative financial instruments	**16,073**	**746**	**1,030**
Equity instruments/index derivative financial instruments			
Unlisted tradable contracts (OTC)			
Options	2,927	259	396
Listed tradable contracts			
Futures	106	-	-
Options	13,986	391	772
Total equity instruments/index derivative financial instruments	**17,019**	**650**	**1,168**
Other derivative financial instruments	16,421	347	963
Total derivative financial assets/liabilities held for trading	**3,226,028**	**60,026**	**54,376**
Derivative financial instruments held as hedges			
Derivative financial instruments designated as fair value hedges			
Currency swaps and cross-currency interest rate swaps	43,943	2,262	16
Interest rate swaps	77,914	1,644	17,775
Total derivative financial instruments designated as fair value hedges	**121,857**	**3,906**	**17,791**
Derivative financial instruments designated as cash flow hedges			
Currency swaps and cross-currency interest rate swaps	23,603	1,476	1,069
Interest rate swaps	658	15	1
Total derivative financial assets/liabilities designated as hedges	**146,118**	**5,397**	**18,861**

11 Loans to customers

in millions of euros	2013	2012
Loans initiated by Rabobank		
Loans to government clients:		
- leases	634	738
- other	2,036	3,027
Loans to private clients:		
- overdrafts	17,258	14,953
- mortgages	219,461	221,677
- leases	21,925	22,382
- reverse repurchase transactions and securities borrowing agreements	10,697	11,410
- corporate loans	184,067	202,751
- other	5,495	7,852
Gross loans to customers	**461,573**	**484,790**
Less: value adjustments in loans to customers	(4,177)	(3,715)
	457,396	**481,075**
Reclassified assets	2,806	4,224
Total loans to customers	**460,202**	**485,299**

The impairment of reclassified assets is -154 (2012: -135) and is stated in the profit or loss account under 'Income from other financial assets and liabilities through profit and loss'.

in millions of euros	2013	2012
Value adjustments in loans to customers		
Value adjustments in loans to customers can be broken down as follows:		
At 1 January	3,715	3,089
Additional impairment for credit losses	3,791	3,501
Reversal of impairment for credit losses	(1,045)	(1,064)
Defaulting loans written off during the year	(2,024)	(2,297)
Interest and other changes	(260)	486
Total value adjustments in loans to customers	**4,177**	**3,715**
Individual value adjustment (specific provision)	3,307	2,908
Collective value adjustment (collective provision)	380	353
IBNR	490	454
Total value adjustments in loans to customers	**4,177**	**3,715**
Gross carrying amount of loans whose value adjustments were established on an individual basis	12,681	11,069

In 2013, at portfolio level, the provision for expected losses on loans to corporate customers of local Rabobanks was written down by 0.4 billion (2012: 0.8 billion). These debtors have virtually no perspective of being able to continue as a going concern, which means that realisation of the security has started. In 2013, Rabobank International wrote down its provision for expected loan losses by 21 million (2012: 0.3 billion), notably for loan losses in the Irish real estate portfolio. No recovery is expected for these loans, but realisation of the security has been deferred on account of market conditions affecting the security provided. For this reason, the provision was utilised and the loans written off.
During the year, Rabobank acquired financial and non-financial assets by taking possession of collateral with an estimated value of 29 (2012: 42). In general, it is Rabobank's policy to sell these assets in the reasonably foreseeable future. Yields are allocated to repay the outstanding amount.

Reclassified assets

Based on the amendments to IAS 39 and IFRS 7, 'Reclassification of financial assets', Rabobank reclassified a number of 'Trading financial assets' and 'Available-for-sale financial assets' to 'Loans to customers' and 'Due from other banks' in 2008.

Rabobank has identified assets to which this amendment applies, with the intention clearly shifting to holding the securities for the near future as opposed to selling or trading them in the short term. The reclassifications were effected as from 1 July 2008 at their fair value at the time. This note provides details on the impact of the reclassifications at Rabobank.

The table below shows the carrying amounts and fair values of the reclassified assets.

	31 December 2013		31 December 2012	
in millions of euros	Carrying amount	Fair value	Carrying amount	Fair value
Trading financial assets reclassified to loans	579	533	953	851
Available-for-sale financial assets reclassified to loans	2,607	2,718	4,056	3,994
Total financial assets reclassified to loans	**3,186**	**3,251**	**5,009**	**4,845**

Without the reclassifications of trading financial assets, net profit would have been 42 higher (2012: 137 higher). The change in equity in 2013 would have been 113 more positive (2012: 37 more negative) if available-for-sale financial assets had not been reclassified.
Following reclassification, the reclassified financial assets made the following contribution to operating profit before taxation:

	Year ended 31 December	
	2013	2012
Net interest income	3	33
Value adjustments	-	(9)
Operating profit before taxation on reclassified trading financial assets	**3**	**24**
Net interest income	57	62
Value adjustments	154	144
Operating profit before taxation on reclassified available-for-sale financial assets	**211**	**206**

Value adjustments include reversed impairments and recoveries subsequent to write-offs in the amount of 233 (2012: 215), as well as impairments in the amount of 79 (2012: 80).

Finance leases

Loans to customers also includes receivables from finance leases, which can be broken down as follows:

in millions of euros	2013	2012
Receivables from gross investment in finance leases		
Not exceeding 1 year	8,535	9,889
Longer than 1 year but not longer than 5 years	15,847	15,308
Longer than 5 years	814	736
Total receivables from gross investment in finance leases	**25,196**	**25,933**
Unearned deferred finance income from finance leases	3,043	3,229
Net investment in finance leases	**22,153**	**22,704**
Net investment in finance leases		
Not exceeding 1 year	7,532	8,694
Longer than 1 year but not longer than 5 years	13,910	13,339
Longer than 5 years	711	671
Net investment in finance leases	**22,153**	**22,704**

The provision for finance leases included in value adjustments amounted to 406 at 31 December 2013 (2012: 416). The unguaranteed residual values accruing to the lessor amount to 1,911 (2012: 1,848).
The contingent lease payments recognised as income in 2013 are nil (2012: 0).
The finance leases chiefly concern the lease of equipment and cars, as well as factoring.

12 Available-for-sale financial assets

in millions of euros	2013	2012
Short-term government securities	1,710	2,096
Government bonds	35,714	39,275
Other debt securities	8,170	8,537
Equity instruments	817	517
Total available-for-sale financial assets	**46,411**	**50,425**

The impairment of available-for-sale financial assets amounts to -111 (2012: 137) and is recognised in profit or loss under 'Net income from financial assets and liabilities at fair value through profit and loss'.

in millions of euros	2013	2012
Gains/(losses) on available-for-sale financial assets	56	132

The changes in available-for-sale financial assets can be broken down as follows:

in millions of euros	2013	2012
Opening balance	50,425	51,930
Foreign exchange differences	(749)	(248)
Acquisitions	-	96
Additions	44,524	37,339
Disposals (sale and redemption)	(44,167)	(37,082)
Transferred to non-current assets held for sale	(1,163)	(3,018)
Fair value changes	(1,984)	1,618
Other changes	(475)	(210)
Closing balance	**46,411**	**50,425**

13 Investments in associates

in millions of euros	2013	2012
Opening balance	3,649	3,340
Purchases	58	54
Sales	(1)	(16)
Share of profit of associates	157	255
Dividends paid	(62)	(24)
Revaluation	(118)	59
Other	(54)	(19)
Total	**3,629**	**3,649**

The principal associates are listed under note 48 'Principal subsidiaries and associates'.

14 *Intangible assets*

in millions of euros	Goodwill	Software developed in-house	Other intangible assets	Total
Year ended 31 December 2013				
Opening balance	1,523	474	346	2,343
Foreign exchange differences	(39)	(1)	(8)	(48)
Additions	-	87	32	119
Transferred to non-current assets held for sale and discontinued operations	(63)	-	(100)	(163)
Disposals	-	(4)	(1)	(5)
Other	2	19	17	38
Amortisation	-	(134)	(103)	(237)
Impairments	(42)	(13)	(1)	(56)
Closing balance	**1,381**	**428**	**182**	**1,991**
Cost	1,413	1,232	593	3,238
Accumulated amortisation and impairments	(32)	(804)	(411)	(1,247)
Net carrying amount	**1,381**	**428**	**182**	**1,991**
Year ended 31 December 2012				
Opening balance	1,903	502	397	2,802
Foreign exchange differences	(12)	-	13	1
Additions	5	93	63	161
Acquisitions	-	-	62	62
Transferred to non-current assets held for sale and discontinued operations	(376)	-	(77)	(453)
Disposals	(10)	(15)	(11)	(36)
Other	4	38	7	49
Amortisation	-	(137)	(99)	(236)
Impairments	9	(7)	(9)	(7)
Closing balance	**1,523**	**474**	**346**	**2,343**
Cost	1,719	1,158	841	3,718
Accumulated amortisation and impairments	(196)	(684)	(495)	(1,375)
Net carrying amount	**1,523**	**474**	**346**	**2,343**

Goodwill is reviewed for impairment by comparing the carrying amount of the cash-generating unit (including goodwill) with the best estimate of the value in use of the cash-generating unit. For that purpose, first the best estimate of the value in use is determined on the basis of cash flow forecasts taken from annual medium-term plans drawn up as part of the annual planning cycle, which reflect the management's best estimates of market conditions, market restrictions, discount rates (before taxation), growth in operations, et cetera. If the outcome shows that there is no significant difference between the fair value and the carrying amount, the fair value is assessed in more detail, with the relevant share price being used for listed companies. In addition, valuation models are used which are similar to the initial recognition of an acquisition, peer reviews, et cetera. The valuation models are assessed and include the development of the activities since the acquisition, the most recent comprehensive income forecasts drawn up by management, as well as updated forecasts, assessments of discount rates, end values of growth rates, et cetera. Peer reviews include an assessment of the price/earnings ratio and price/carrying amount ratio of similar listed companies, or similar market transactions. Assumptions are generally based on experience, management's best estimates of future developments and, if available, external data.

The goodwill allocated to one of the cash-generating units in the wholesale banking segment is significant as a proportion of the goodwill's total carrying amount. The carrying amount of this goodwill is 590. The recoverable amount is based on the value in use. Value in use is determined using cash flow forecasts. The principal assumptions used are profit expected in the near term, the pre-tax discount rate (16%) and the multiple (12.5x) for long-term profit or loss. As the recoverable amount substantially exceeded the carrying amount, it was concluded that the goodwill allocated to this cash-generating unit was not impaired. A reasonable change in one of the principal assumptions does not cause the carrying amount to exceed the recoverable amount.

Impairments of software developed in-house and other intangible assets are not material individually. In the aggregate, impairments of software developed in-house of 13 (2012: 7) were mainly caused by the fact that part of that software is no longer used.

15 Property and equipment

in millions of euros	Land and buildings	Equipment	Total
Year ended 31 December 2013			
Opening balance	2,390	4,110	6,500
Foreign exchange differences	(10)	(63)	(73)
Purchases	124	1,535	1,659
Disposals	(62)	(486)	(548)
Transferred to non-current assets held for sale and discontinued operations	(118)	(44)	(162)
Transferred from loans to customers	-	682	682
Impairment losses	(10)	-	(10)
Depreciation	(141)	(150)	(291)
Depreciation of operating lease assets	-	(807)	(807)
Other	(72)	23	(49)
Closing balance	**2,101**	**4,800**	**6,901**
Cost	3,512	7,754	11,266
Accumulated depreciation and impairments	(1,411)	(2,954)	(4,365)
Net carrying amount	**2,101**	**4,800**	**6,901**

in millions of euros	Land and buildings	Equipment	Total
Year ended 31 December 2012			
Opening balance	2,364	3,768	6,132
Foreign exchange differences	8	6	14
Purchases	190	1,802	1,992
Acquisitions	27	6	33
Disposals	(38)	(513)	(551)
Transferred to non-current assets held for sale and discontinued operations	(1)	(16)	(17)
Impairment losses	(14)	(3)	(17)
Depreciation	(139)	(152)	(291)
Depreciation of operating lease assets	-	(802)	(802)
Other	(7)	14	7
Closing balance	**2,390**	**4,110**	**6,500**
Cost	3,930	7,165	11,095
Accumulated depreciation and impairments	(1,540)	(3,055)	(4,595)
Net carrying amount	**2,390**	**4,110**	**6,500**

16 *Investment properties*

Investment properties are stated at cost.

in millions of euros	2013	2012
Opening balance	1,489	784
Purchases	132	33
Transferred from Other assets	-	905
Sales	(75)	(211)
Transferred to non-current assets held for sale	(274)	-
Depreciation	(11)	(16)
Impairments	(172)	(32)
Other	(16)	26
Closing balance	**1,073**	**1,489**
The fair value approximates the carrying amount (2012: approximated the carrying amount)		
Cost	1,615	1,950
Accumulated depreciation	(542)	(461)
Net carrying amount	**1,073**	**1,489**

Valuations		
	2013	2012
External valuations	76%	77%
Internal valuations	24%	23%

External valuations of the investment property were performed by duly certified external parties in accordance with RICS valuation standards or other equivalent standards, in compliance with the guidelines of the Dutch Valuers and Auditors Platform (PTA) as much as possible. The investment property was valued based on the methodologies which are most appropriate for the property in question. This includes the discounted cash-flow valuation method and the capitalisation based on net initial yields for comparable transactions.

Real estate expertise available in-house is used for internal valuations of investment properties, and 20% (2012: 20%) were valued by certified staff of Rabo Real Estate Group. Investment properties valued internally are typically measured using a discounted cash flow valuation technique.

A large portion of the investment property of Rabo Real Estate Group are unique properties. In addition, the number of property transactions in the current market is limited, and there is often no active market for similar properties in the same location and in the same condition. A large number of parameters are used for the valuations of the various types of property investments, based on existing contracts and market data if possible. A certain level of assessment and estimation is generally unavoidable, which is why all property investments are classified in category 3. The parameters used to determine the fair value of the property investments, depending on the type of real estate, include: the current and expected market rent per square metre, current and expected future vacancy rates, the location of the property, the marketability of the property, the average discount rate, development budget and any credit risk.

The following key parameters were used for calculation in the various valuations conducted in 2013:

	Shopping centres	Offices/ warehouses	Homes	Other
Market rent in EUR/m^2 per annum	547	304	95	204
Average discount rate	6.2%	6.8%	7.9%	7.9%

17 Other assets

in millions of euros	Note	2013	2012
Receivables and prepayments		1,898	1,938
Accrued interest		1,854	2,058
Precious metals, goods and warehouse receipts		880	548
Real estate projects		2,294	2,923
Accrued income		280	353
Employee benefits	25	6	8
Other assets		1,593	1,935
Total other assets		**8,805**	**9,763**

Real estate projects		
in millions of euros	2013	2012
Building sites and equalisation funds	1,305	1,905
Work in progress	832	824
Trade receivables, real estate	157	194
Total real estate projects	**2,294**	**2,923**

The building sites and equalisation funds are valued at cost or the low net recoverable value. The net recoverable value of the building sites and equalisation funds is the highest of the direct yield amount and the indirect yield amount. The direct yield amount is the estimated value on sale less the estimated costs of completing the sale. The indirect yield value is the estimated sale price based on ordinary business operations less the estimated costs of completion and the estimated costs necessary to complete the sale, whereby the estimated cash flows are discounted at the weighted average capital base. In determining the weighted average capital base, the bank factors in expected capital, operational risk and certain conditions specific to Rabobank Real Estate Group.

In determining net recoverable value, Rabobank uses assessments and estimates, in which it incorporates risk relating to building sites and equalisation funds, including demographic trends, location, use and the elaboration of development plans and administrative decision-making, location-specific as much as possible. For individual locations, this results in expected movements in land and house prices, expected margins per home, and other variables, which ultimately determine the indirect yield amount. Provisions are made for building sites for which development is deemed unlikely based on the information available, using the direct yield amount as a basis. The most substantial risk of deviations in assessments and estimates occurs for land not subject to a zoning plan (including VINEX locations – large new housing developments outside urban areas).

The net recoverable value was calculated for all building sites and equalisation funds in 2013, and this was compared with the book value. This has resulted in total impairment on building sites and equalisation funds of 518 (2012: 59). The amount of this impairment is partly the reason of model-based analysis of the recoup capacity per land holding, taking into account current expectations regarding development periods and revenues. Due to the delay in development periods and project adjustments, recoup capacity has deteriorated, future interest charges are rising and the net recoverable value of real estate projects declined in 2013.

in millions of euros	At 1 January 2013	Additions	Withdrawals/ other changes	At 31 December 2013
Movements in provisions for property projects				
Building sites and equalisation funds	351	518	(19)	850
Work in progress	113	119	34	266
Trade debtors – property	11	-	(2)	9
Total	**475**	**637**	**13**	**1,125**

in millions of euros	At 1 January 2012	Additions	Withdrawals/ other changes	At 31 December 2012
Movements in provisions for property projects				
Building sites and equalisation funds	298	59	(6)	351
Work in progress	355	104	(346)	113
Trade debtors – property	7	-	4	11
Total	**660**	**163**	**(348)**	**475**

Work in progress

in millions of euros	2013	2012
Housing development planned and under construction	677	696
Commercial real estate under development and under construction	1,018	954
Housing construction instalments invoiced in advance	(317)	(309)
Commercial real estate instalments invoiced in advance	(546)	(517)
Total work in progress	**832**	**824**

18 Due to other banks

in millions of euros	2013	2012
Loans	3,287	3,794
Repurchase agreements	808	1,986
Deposits	11,401	21,279
Total due to other banks	**15,496**	**27,059**

19 Due to customers

in millions of euros	2013	2012
Savings	151,516	149,661
Current accounts/settlement accounts	97,461	96,763
Time deposits	56,418	56,006
Repurchase agreements	1,474	2,299
Other due to customers	22,531	29,542
Total due to customers	**329,400**	**334,271**

Due to customers also includes the investments of central banks amounting to 22 (2012: 21) billion.

20 Debt securities in issue

in millions of euros	2013	2012
Certificates of deposit	42,796	40,400
Commercial paper	11,620	21,076
Bonds	137,482	154,590
Other debt securities	3,463	7,270
Total debt securities in issue	**195,361**	**223,336**

Rabobank Nederland issued 900 in Rabo Extra Member Notes in 2010. Their nominal value is EUR 100, the interest rate is 3.5% per annum (which is above the rate for similar instruments with no conversion right) and their term is 47 months (until 30 December 2013).
During the term of the Notes, Rabobank will have the right, on four annual exchange dates, to exchange 25% of their original nominal value for one Rabobank Certificate or Member Certificate. It will have this right only if the trade price of the Rabobank (Member) Certificates is EUR 24 or more on one of the three trading days immediately preceding the exchange. If Rabobank does not or may not use this right on the relevant exchange date, EUR 25 of the nominal amount of each Rabo Extra Member Note will be paid in cash.
The Rabo Extra Member Notes are accounted for as debt securities in issue. In 2010, the equity instrument was charged to equity in the amount of 26. In 2013, Rabobank used its conversion right, issuing Rabobank (Member) Certificates to the amount of 225 (2012: 225).

21 Other liabilities

in millions of euros	2013	2012
Payables	3,831	5,522
Accrued interest	2,422	2,768
Employee benefits	288	1,464
Other	867	1,375
Provision for day 1 profit	27	37
Total other liabilities	**7,435**	**11,166**

22 Other financial liabilities at fair value through profit or loss

The change in the fair value of the other financial liabilities at fair value through profit or loss that is attributable to changes in Rabobank's credit risk is a gain of 272 after taxes (2012: a charge of 335 after taxes). The cumulative change in fair value attributable to changes in Rabobank's credit risk since the issue of the structured notes amounts to 1,821 before taxes (2012: 1,458). The book value of the structured notes is 5,061 (2012: 7,941) lower than the amount Rabobank is obliged to repay the holders of the structured notes. The change in fair value that is attributable to changes in credit risk is calculated by establishing a connection with the change in credit mark-up of structured notes issued by Rabobank.

in millions of euros	2013	2012
(Structured) notes	14,116	19,792
Other debt securities	1,928	4,242
Time deposits	3,025	57
Total other financial liabilities at fair value through profit or loss	**19,069**	**24,091**

23 Provisions

in millions of euros	2013	2012
Restructuring provision	396	120
Provision for tax and legal issues	268	304
Other	308	328
Total provisions	**972**	**752**
Changes in provisions were as follows:		
Restructuring provision		
Opening balance	120	105
Interest	-	1
Additions charged to profit	381	79
Withdrawals	(95)	(62)
Release	(10)	(3)
Closing balance	**396**	**120**
Provision for tax and legal issues		
Opening balance	304	325
Additions charged to profit	579	40
Withdrawals	(582)	(39)
Release	(33)	(22)
Closing balance	**268**	**304**
Other		
Opening balance	328	335
Additions charged to profit	75	43
Withdrawals	(61)	(26)
Release	(34)	(24)
Closing balance	**308**	**328**
Total provisions	**972**	**752**

The additions deducted from profit from the restructuring provision is an amount of 283 for the reorganisation programme for the local Rabobanks. This reorganisation provision consists of future payments relating to redundancy pay and other costs directly attributable to the reorganisation programme. These costs are accounted for once a detailed redundancy plan is in place. The expected outflow of funds will occur in 2014 and 2015.

Approximately 32% (2012: 36%) of the provision for tax and legal issues relates to tax claims. The provision for tax and legal issues is based on the best possible estimates available at year-end, taking into account legal and tax advice. The timing of the cash outflow of these provisions is uncertain because the outcome of the disputes and the time involved are unpredictable.

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

Maturity of the Rabobank Group provisions (excluding provisions for employee benefits and doubtful debts)

in millions of euros	Less than 1 year	1-5 years	More than 5 years	Total
At 31 December 2013	207	765	-	972
At 31 December 2012	245	505	2	752

24 Deferred tax

Deferred tax assets and liabilities are measured for all temporary differences using the 'liability' method. The effective tax rate in the Netherlands for measuring deferred tax is 25% (2012: 25%). There were no changes in deferred tax assets and liabilities resulting from changes in the effective tax rate in the Netherlands. No deferred tax asset has been recognised for carry forward losses totalling 1,738 (2012: 1,759). These carry forward losses relate to various tax authorities and their term to maturity is largely unlimited. Deferred tax assets recognised in respect of carry forward losses can only be utilised if taxable profits are realised in the future. At 31 December 2013, there are no reasons to believe that they will not be sufficient.

	Deferred tax assets	Deferred tax liabilities	Deferred tax charges	Tax on other comprehensive income
in millions of euros				
For the year ended 31 December 2013				
Pensions and other post-employment benefits	35	-	502	(252)
Impairments	641	(1)	116	-
Financial liabilities at fair value	(455)	-	91	-
Other provisions	75	142	77	-
Hedging of interest rate risk	445	-	(278)	-
Carry forward losses	1,451	128	(784)	-
Intangible assets	(68)	-	(5)	-
Revaluation reserve for available-for-sale financial assets	1	7	-	34
Revaluation reserve - cash flow hedges	(110)	-	-	(4)
Property and equipment, including leases	(20)	75	2	-
Other temporary differences	(84)	(61)	(14)	-
Total	**1,911**	**290**	**(293)**	**(222)**

	Deferred tax assets	Deferred tax liabilities	Deferred tax charges	Tax on other comprehensive income
in millions of euros				
For the year ended 31 December 2012				
Pensions and other post-employment benefits	361	(13)	15	(537)
Impairments	564	(355)	59	-
Financial liabilities at fair value	-	364	(112)	-
Other provisions	38	88	(52)	-
Hedging of interest rate risk	-	(177)	238	-
Carry forward losses	184	21	(21)	-
Intangible assets	(14)	83	(50)	-
Revaluation reserve for available-for-sale financial assets	23	94	-	(89)
Revaluation reserve - cash flow hedges	-	(5)	-	(48)
Property and equipment, including leases	10	138	(12)	-
Other temporary differences	(206)	(52)	21	-
Total	**960**	**186**	**86**	**(674)**

25 Employee benefits

in millions of euros	2013	2012
Employee benefits – assets	(6)	(8)
Employee benefits – liabilities	288	1,464
Net pension liabilities	**282**	**1,456**
Pension plans	66	1,262
Other employee benefits	216	194
Net pension liabilities	**282**	**1,456**

25.1 Pension schemes

In May 2013, Rabobank reached agreement with the trade unions regarding the amendment to the Collective Labour Agreement (CAO). The parties agreed on a new pension scheme to replace the current scheme administered by the Rabobank Pension Fund. The new pension scheme, which became effective with retroactive effect on 1 January 2013, is a group defined-benefit scheme based on a retirement age of 67 and a target accrual rate of 2 percent. Each year Rabobank deposits pension contributions into the Rabobank Pension Fund based on a fixed system in an attempt to achieve the target pension accrual for services provided during the year of service based on a conditional career-average scheme with a conditional indexation. In paying the annual pension contributions, Rabobank will fully and finally have satisfied all its pension obligations and will no longer have any financial commitments in relation to the underlying years of participation and pensions previously accrued. In the context of the risks transferred, Rabobank paid a one-time amount of 500 towards the creation of an index deposit. In addition, Rabobank will act as a guarantor during the period 2014-2020 for the realisation of the target pension accrual for the services provided during this period up to a maximum amount of 250.

The new pension scheme qualifies as a defined contribution plan under IAS 19. Rabobank's obligation is limited to the premium payments owed, less previously made payments. Actuarial assumptions are no longer a factor in determining the obligation. During the reporting period until the time of settlement of the defined-benefit pension scheme, revaluations of the net liability of the Rabobank Pension Scheme of -667 were taken directly to equity. On settlement of the defined-benefit scheme, the revaluation of the liability as part of the profit was taken to the profit or loss account. On the effective date of the new pension scheme, the total cumulative actuarial gains and losses under the old defined-benefit pension scheme, which are recognised under equity, totalled -2,320. The pension obligation came to 1,100. This was released in the profit or loss account as a portion of profit on termination of the defined-benefit scheme, after deduction of tax in the amount of 275. The one-time payment of 500 was also taken to the profit or loss account as a portion of profit on termination of the defined-benefit scheme (375 after taxes). The profit or loss on termination of the defined-benefit scheme is included in the 'Other income' item. The regular pension charges, included in the 'Personnel charges' item, for the scheme administered by the Rabobank Pension Fund were, on average, 486 (2012: 359) after taxes. The comprehensive income after taxation during the period under review as recognised in the consolidated statement of comprehensive income, under the scheme administered by Stichting Rabobank Pensioenfonds, amounted to -11.

in millions of euros	2013
Revaluation of net liabilities	(667)
Profit from termination of defined-benefit pension scheme	1,517
Payment relating to termination of defined-benefit pension scheme	(375)
Regular pension charges of Rabobank Pensioenfonds	(486)
Comprehensive income after taxes	**(11)**

Since the pension scheme administered by Stichting Rabobank Pensioenfonds no longer qualifies as a defined-benefit pension scheme, practically the only pension schemes that continue to qualify as defined-benefit schemes are those of Friesland Bank and ACCBank as at 31 December 2013. These are career-average defined-benefit schemes, administered by a fund or otherwise. The assets are valued each year by independent actuaries based on the method prescribed by IFRS. The most recent actuarial valuations were performed at the end of 2013. The tables relating to the weighted averages of the main actuarial assumptions and the future premium payments in 2013 relate to these two pension schemes. The table showing investments in plan assets are based on the pension scheme administered by ACCBank.

in millions of euros	2013	2012
Present value of liabilities administered by funds	545	19,464
Fair value of plan assets	479	18,202
Net liabilities	**66**	**1,262**

Movements in plan assets and liabilities:

in millions of euros	2013	2012
Present value of liabilities administered by funds		
Present value of entitlements at 1 January	19,464	15,405
Foreign exchange differences	-	2
Interest	244	708
Increase in entitlements during the year	225	471
Premiums contributed by the employees	16	40
Benefits paid	(119)	(289)
Transfer of accrued benefits	-	27
Pension plan termination	(20,620)	(127)
Transferred to non-current assets held for sale and discontinued operations	-	(334)
Acquisition of Friesland Bank	-	290
Curtailments	(6)	(12)
Other	(3)	59
Actuarial gains and losses arising from changes in demographic assumptions	(47)	30
Actuarial gains and losses arising from changes in financial assumptions	1,391	3,194
Present value of liabilities held in a fund as at 31 December	**545**	**19,464**
Fair value of plan assets		
Fair value of assets at 1 January	18,202	16,208
Foreign exchange differences	-	1
Interest	230	752
Premium contributed by the employer	491	573
Premiums contributed by the employees	17	40
Benefits paid	(119)	(289)
Transfer of accrued benefits and costs	(5)	(5)
Pension plan termination	(18,779)	(94)
Transferred to non-current assets held for sale and discontinued operations	-	(284)
Acquisition of Friesland Bank	-	288
Other	(3)	(76)
Actuarial result	445	1,088
Fair value of assets at 31 December	**479**	**18,202**

Estimated premium contributions for 2014 are approximately 7. Plan assets have been allocated as follows:

	2013	2012
Shares and alternatives	31.6%	41.6%
Interest-bearing securities	26.4%	48.8%
Real estate	6.2%	6.1%
Cash and cash equivalents	35.8%	3.5%
Total	**100%**	**100%**

The costs recognised in the consolidated profit or loss account are shown in the table below. Profit arising from the conversion of the Rabobank Pension Fund from a defined-benefit pension scheme to a defined contribution plan is included in Note 36, 'Other income'.

in millions of euros	2013	2012
Interest on liabilities	244	708
Interest on plan assets	(230)	(752)
Costs based on period of employment during the year	225	471
Losses/(gains) on discounts, settlements and costs	(1)	76
Total cost of defined benefit plans	**238**	**503**

The weighted averages of the main actuarial assumptions for the valuation of the pension provision (defined-benefit pension schemes) as at 31 December are shown in the table below (in % per year).

	2013	2012
Discount rate	3.8%	3.5%
Wage inflation	2.5%	1.7%
Price inflation	2.0%	2.0%

25.2 Other employee benefits

Other employee benefits mainly comprise early retirement liabilities for an amount of 1 (2012: -4) and liabilities for future long-service awards for an amount of 96 (2012: 99).

26 Subordinated debt

in millions of euros	2013	2012
Rabobank Nederland	7,782	4,620
Trust Preferred Securities II	-	415
Friesland Bank	9	345
Other	24	27
Total subordinated debt	**7,815**	**5,407**

Changes in the Trust Preferred Securities II are stated in the table below.

in millions of euros	2013	2012
Trust Preferred Securities II		
At 1 January	415	429
Redemption of Trust Preferred Securities II	(415)	-
Foreign exchange differences and other	-	(14)
At 31 December	**-**	**415**

Rabobank Nederland issued three subordinated loans in 2013: a 1,000 loan with a fixed interest rate of 3.875% and a maturity date of 2023; a USD 1,750 loan with a fixed interest rate of 4.625% and a maturity date of 2023; and a USD 1,250 loan with a fixed interest rate of 5.75% and a maturity date of 2043.
Rabobank Nederland issued three subordinated loans in 2012: a 1,000 loan with a fixed interest rate of 4.125% and a maturity date of 2022; a GBP 500 loan with a fixed interest rate of 5.25% and a maturity date of 2027; and a USD 1,500 loan with a fixed interest rate of 3.95% and a maturity date of 2022.
Rabobank Nederland issued a 1,000 loan in 2010 with a fixed interest rate of 3.75% and a maturity date of 2020.
Rabobank Nederland issued a 1,000 loan in 2009 with a fixed interest rate of 5.875% and a maturity date of 2019.
In 2003, Rabobank Capital Funding Trust II, Delaware, a group company of Rabobank Nederland, issued 1.75 million non-cumulative Trust Preferred Securities. The distribution is 5.26% until 31 December 2013, after which the expected distribution is equal to the three-month USD Libor plus 1.6275%. The total proceeds from this issue amounted to USD 1,750. As of 31 December 2013, these Trust Preferred Securities were redeemed, with the prior written consent of the Dutch Central Bank.

27 Contingencies and commitments

Credit related contingent liabilities

Credit granting liabilities represent the unused portions of funds authorised for the granting of credit in the form of loans, financial guarantees, letters of credit and other lending related financial instruments. Rabobank's credit risk exposure from credit granting liabilities consists of potential losses amounting to the unused portion of the authorised funds. The total expected loss is lower than the total of unused funds, however, because credit granting liabilities are subject to the clients in question continuing to meet specific standards of creditworthiness. Financial guarantees represent irrevocable undertakings that, provided certain conditions are met, Rabobank will make payments on behalf of clients if they are unable to meet their financial obligations to third parties. Rabobank also accepts credit granting liabilities in the form of credit facilities made available to ensure that clients' liquidity requirements can be met, but which have not yet been drawn upon.
The contingent liabilities include guarantees for providers of collective and individual pension savings plans, as required by government authorities. The likelihood of an outflow of resources embodying economic benefits is very low.

in millions of euros	2013	2012
Financial guarantees	11,429	14,904
Credit granting liabilities	32,126	33,061
Letters of credit	5,919	5,583
Other contingent liabilities	82	-
Total credit related and contingent liabilities	**49,556**	**53,548**

The contractual commitments relating to the acquisition, construction and development of property and equipment and property investments amount to 478 (2012: 551).

Rabobank is involved in a number of legal and arbitration proceedings in the Netherlands and other countries, including the United States, in connection with claims brought by and against Rabobank Group arising from its operations. For additional information, please refer to paragraph 4.11, 'Legal proceedings'.

Liabilities relating to operating leases

Rabobank has concluded various operating lease contracts as lessee, mainly with respect to properties, information systems and cars. The future net minimum lease payments under non-cancellable operating leases can be broken down as follows:

in millions of euros	2013	2012
Not later than 1 year	66	77
Later than 1 year but not later than 5 years	162	205
Later than 5 years	123	195
Total liabilities relating to operating leases	**351**	**477**

The expected future net minimum lease payments receivable from sub-leases are 16 (2012: 9).
The operating lease expenses are 90 (2012: 89). These are included in 'Other administrative expenses' in the statement of income.

Payments receivable from operating leases

Rabobank has concluded various operating lease contracts as lessor. The future minimum lease payments receivable from non-cancellable operating leases can be broken down as follows:

in millions of euros	2013	2012
Not later than 1 year	1,137	1,032
Later than 1 year but not later than 5 years	2,210	1,900
Later than 5 years	172	20
Total payments receivable from operating leases	**3,519**	**2,952**

No contingent lease payments were recognised as assets during the year under review.

28 Equity of Rabobank Nederland and local Rabobanks

This item includes equity of Rabobank Nederland and local Rabobanks

in millions of euros	2013	2012
Foreign currency translation reserves	(575)	(163)
Revaluation reserve for available-for-sale financial assets	282	420
Revaluation reserve for associates	29	50
Revaluation reserve - cash flow hedges	49	40
Revaluation reserve - pensions	(3,251)	(2,493)
Retained earnings	28,107	27,457
Total reserves and retained earnings at year-end	**24,641**	**25,311**

Changes in reserves were as follows:

in millions of euros	2013	2012
Translation differences emerging during the year		
Opening balance	(163)	86
Currency translation differences emerging during the year	(412)	(249)
Closing balance	**(575)**	**(163)**

The recalculation reserves for foreign currencies include no amounts (2012: -6) relating to non-current assets held for sale and discontinued operations.

in millions of euros	2013	2012
Revaluation reserve for available-for-sale financial assets		
Opening balance	420	93
Foreign exchange 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)
Closing balance	**282**	**420**

The revaluation reserve for available-for-sale financial assets includes an amount of 20 (2012: 24) in non-current assets held for sale and discontinued operations.

in millions of euros	2013	2012
Revaluation reserve for associates		
Opening balance	50	66
Fair value changes	(21)	(16)
Closing balance	**29**	**50**

Stakes can be increased such that they are classified as consolidations. In that case, the original stake is revalued at the fair valued at the time the stake was increased. The revaluation reserves – equity interests contain no amounts (2012: 20) relating to non-current assets held for sale and discontinued operations.

in millions of euros	2013	2012
Revaluation reserve - cash flow hedges		
Opening balance	40	(112)
Fair value changes	1,450	145
Transferred to profit or loss	(1,459)	7
Closing balance	**49**	**40**

in millions of euros	2013	2012
Revaluation reserve – pensions		
Opening balance	(2,493)	(882)
Fair value changes	(758)	(1,611)
Closing balance	**(3,251)**	**(2,493)**

in millions of euros	2013	2012
Retained earnings		
Opening balance	27,457	26,367
Net profit attributable to Rabobank Nederland and local Rabobanks	929	843
Other	(279)	247
Closing balance	**28,107**	**27,457**
Total reserves and retained earnings	**24,641**	**25,311**

29 Rabobank (Member) Certificates

As part of its member loyalty programme, Rabobank issued certificates and member certificates between 2000 and 2005. They were depositary receipts for registered shares in the following investment institutions: Rabobank Ledencertificaten I N.V., Rabobank Ledencertificaten II N.V. and Rabobank Ledencertificaten III N.V.. There were four issues, in 2000, 2001, 2002 and 2005, raising more than 6,300 in total. On 30 December 2008, the investment institutions merged to form a single investment institution, Rabobank Ledencertificaten N.V.. In 2011, changes in international laws and regulations, known as the Basel III arrangements, required modification of the Rabobank (Member) Certificates. The new Rabobank (Member) Certificates are certificates of units of participation directly issued by Rabobank Nederland. The exchange enables the new Rabobank (Member) Certificates to count towards Rabobank Group's equity (common equity tier 1), as did the former certificates. Until around February 2013, when supply and demand in the internal market were virtually in balance, supply increased and demand – in particular subordinated bonds – fell as a result of the debt crisis and market conditions and as a result of Rabobank Nederland's duty-of-care programme. Rabobank Nederland purchased in the internal market Rabobank (Member) Certificates for which there was no demand. The company received permission from the Dutch Central Bank in October 2012 to purchase EUR 1 billion worth of Rabobank (Member) Certificates in its purchase fund (Treasury Stock). In August 2013, Rabobank Nederland then announced that, on reaching EUR 1 billion in Rabobank (Member) Certificates in the Treasury Stock, the Dutch Central Bank gave its consent to withdraw this 1 billion so as to create another EUR 1 billion facility. This made it possible to purchase an amount of up to EUR 2 billion in Rabobank (Member) Certificates.

Up to around the end of October, the oversupply of Rabobank (Member) Certificates was in line with expectations. However, there was an increase in the supply of Rabobank (Member) Certificates in the internal market after the announcement of the Libor settlement. On 6 November 2013, Rabobank Nederland reduced the number of outstanding Rabobank (Member) Certificates by 40 million (EUR 1 billion).
In early December 2013, Rabobank entered into an agreement with a third party in order to transfer Rabobank (Member) Certificates to institutional investors. At the same time, it was announced that the planned minimum distribution would be raised from 5.2% to 6.5% on an annual basis and that Rabobank intended to list the Rabobank (Member) Certificates on the stock exchange. The listing will expand our investor base as well as improve tradability. The option to issue a total of EUR 1 billion (nominal) was used twice in December 2013.
On 14 January 2014, the certificate holder meeting approved the proposed change in order to facilitate a Euronext Amsterdam listing. The Rabobank Certificates have been listed on Euronext Amsterdam since 27 January 2014. The distribution paid per certificate in 2013 was EUR 1.275 (2012: EUR 1.25). The Executive Board is entitled not to pay the distribution. Unpaid distribution will not be paid at a later date. At year-end 2013, the total number of certificates was 237,961,365. At the end of 2013, around 125,000 investors put their funds into the Rabobank Certificates and Member Certificates.
The amounts listed in the table below are based on the par value of EUR 25 per Rabobank Certificate or Member Certificate. Premiums and discounts on Rabobank (Member) Certificates issued and recouped and the costs of the issue after taxation are included in retained earnings (see the consolidated statement of assets). Cash flows arising from changes during the year in the Rabobank (Member) Certificates are included in the consolidated statement of cash flows. Paragraph 4.9, 'Fair values of financial assets and liabilities', contains further information on the derivatives acquired from the December 2013 issues.

Rabobank (Member) Certificates		
in millions of euros	2013	2012
Changes during the year:		
Opening balance	6,672	6,614
Rabobank (Member) Certificates redeemed during the year	(2,074)	(167)
Exchange of Rabobank Extra Member Notes	225	225
Rabobank (Member) Certificates issued during the year	1,000	-
Closing balance	**5,823**	**6,672**

30 Capital Securities and Trust Preferred Securities III to VI

Capital Securities and Trust Preferred Securities III to VI can be broken down as follows:

in millions of euros	2013	2012
Capital Securities	7,265	7,350
Trust Preferred Securities III to VI	1,269	1,340
Total Capital Securities and Trust Preferred Securities III to VI	**8,534**	**8,690**

Capital Securities

All Capital Securities are perpetual and have no expiry date. The distribution on the Capital Securities per issue is as follows.

Issue of USD 2,000 million

The distribution is 8.40% per year and is made payable every six months in arrears as of the issue date (9 November 2011), for the first time on 29 December 2011. The Capital Securities are perpetual and first redeemable on 29 June 2017. If the Capital Securities are not redeemed early, the distribution is set for a further five-year period, without a step-up, based on the US Treasury Benchmark Rate plus a 7.49% mark-up.

Issue of USD 2,000 million

The distribution is 8.375% per year and is made payable every six months in arrears as of the issue date (26 January 2011), for the first time on 26 July 2011. With effect from 26 July 2016 and if the Capital Securities are not redeemed early, the distribution is set for a further five-year period, without a step-up, based on the US Treasury Benchmark Rate plus a 6.425% mark-up.

Issue of EUR 500 million

The distribution is 9.94% per year and is made payable annually in arrears as of the issue date (27 February 2009), for the first time on 27 February 2010. As from 27 February 2019, the distribution will be made payable every quarter based on the three-month Euribor plus an annual 7.50% mark-up.

Issue of NZD 280 million

The distribution equals the five-year swap interest plus an annual 3.75% mark-up and was set at 8.7864% per annum on 25 May 2009. As from the issue date (27 May 2009), the distribution is made payable every quarter in arrears, for the first time on 18 June 2009 (short first interest period). From 18 June 2014, the distribution will be made payable every quarter based on five-year swap interest plus an annual 3.75% mark-up to be set on 18 June 2014. From 18 June 2019, the distribution will be made payable every quarter based on the 90-day bank bill swap interest rate plus an annual 3.75% mark-up.

Issue of USD 2,868 million

The distribution is 11.0% per year and is made payable every six months in arrears as of the issue date (4 June 2009), for the first time on 31 December 2009 (long first interest period). As from 30 June 2019 the distribution will be made payable every quarter based on the three-month USD Libor plus an annual 10.868% mark-up.

Issue of CHF 750 million

The distribution is 6.875% per year and is made payable annually in arrears as of the issue date (14 July 2009), for the first time on 12 November 2009 (short first interest period). As from 12 November 2014 the distribution will be made payable every six months based on the six-month CHF Libor plus an annual 4.965% mark-up.

Issue of USD 130 million

The distribution is 7% per year and is made payable every six months in arrears as of the issue date (6 June 2008), for the first time on 6 December 2008. This issue was redeemed early on the first early redemption date in 2013.

Issue of GBP 250 million

The distribution is 6.567% per year and is made payable every six months in arrears as of the issue date (10 June 2008), for the first time on 10 December 2008. As from 10 June 2038, the distribution will be made payable every six months based on the six-month GBP Libor plus an annual 2.825% mark-up.

Issue of CHF 350 million

The distribution is 5.50% per year and is made payable annually in arrears as of the issue date (27 June 2008), for the first time on 27 June 2009. As from 27 June 2018, the distribution will be made payable every six months on 27 June and 27 December based on the six-month CHF Libor plus an annual 2.80% mark-up.

Issue of ILS 323 million

The distribution is 4.15% per year and is made payable annually in arrears as of the issue date (14 July 2008), for the first time on 14 July 2009. As from 14 July 2018, the distribution will be made payable annually based on an index related to the interest rate paid on Israeli government bonds with terms between 4.5 and 5.5 years plus an annual 2.0% mark-up.

Issue of USD 225 million

The distribution is 7.375% per year and is made payable every six months in arrears as of the issue date (24 September 2008), for the first time on 24 March 2009.

Issue of USD 750 million

The distribution on the USD Capital Securities is 7% per year and is made payable every six months in arrears as of the issue date (22 October 2007), for the first time on 22 April 2008. This issue was redeemed early on the first early redemption date, 22 October 2012.

Issue of NZD 900 million

The distribution on the NZD Capital Securities equals the one-year swap interest rate plus an annual 0.76% mark-up and is made payable annually on 8 October, until 8 October 2017. As from 8 October 2017, the distribution will be made payable every quarter based on the 90-day bank bill swap interest rate plus the same mark-up.

The level of Rabobank Nederland's profit may influence the distribution on the Capital Securities. Should Rabobank Nederland become insolvent, the Capital Securities are subordinate to the rights of all other (current and future) creditors of Rabobank Nederland, unless the rights of those other creditors substantively determine otherwise.

Issue of EUR 125 million

Friesland Bank N.V. issued perpetual Capital Securities in November 2004. These are undated bonds, listed at the Euronext stock exchange. As from 3 December 2014, the loan may be redeemed in full after prior approval is received from the supervisory authority. The bonds are subordinated to the bank's all other present and future liabilities. For supervisory purposes, the bond loan qualifies as part of the bank's core capital.
The distribution on the bond loan is linked to the yield on Dutch 10-year government bonds. A 0.125% mark-up applies, subject to a maximum distribution of 8%. The interest rate is reset on a quarterly basis. Interest payments must be deferred if, 20 days prior to the date of payment, it is known that payment of interest will cause the solvency ratio to drop below the minimum capital required by the supervisory authority. In addition, the bank may decide to defer interest payments.

Trust Preferred Securities III to VI issued by group companies

In 2004, four tranches of non-cumulative Trust Preferred Securities were issued.

- Rabobank Capital Funding Trust III, Delaware, a group company of Rabobank Nederland, issued 1.50 million non-cumulative Trust Preferred Securities. The expected distribution is 5.254% until 21 October 2016. For the period 21 October 2016 to 31 December 2016 inclusive, the expected distribution is equal to the USD Libor interpolated for the period, plus 1.5900%. The company has the right not to make a distribution. Thereafter, the expected distribution is equal to the three-month USD Libor plus 1.5900%. The total proceeds from this issue amounted to USD 1,500 million. As from 21 October 2016, these Trust Preferred Securities can be repurchased on each distribution date (which is once a quarter) after prior written approval is received from the Dutch Central Bank.
- Rabobank Capital Funding Trust IV, Delaware, a group company of Rabobank Nederland, issued 350 thousand non-cumulative Trust Preferred Securities. The expected distribution is 5.556% until 31 December 2019, after which the expected distribution is equal to the six-month GBP Libor plus 1.4600%. The company has the right not to make a distribution. The total proceeds from this issue amounted to GBP 350 million. As from 31 December 2019, these Trust Preferred Securities can be repurchased on each distribution date (which is once every half-year) after prior written approval is received from the Dutch Central Bank.

- Rabobank Capital Funding Trust V, Delaware, a group company of Rabobank Nederland, issued 250 thousand non-cumulative Trust Preferred Securities. The expected distribution is three-month BBSW plus 0.6700% until 31 December 2014, after which the expected distribution is equal to the three-month BBSW plus 1.6700%. The company has the right not to make a distribution. The total proceeds from this issue amounted to AUD 250 million. As from 31 December 2014, these Trust Preferred Securities can be repurchased on each distribution date (which is once a quarter) after prior written approval is received from the Dutch Central Bank.
- Rabobank Capital Funding Trust VI, Delaware, a group company of Rabobank Nederland, issued 250 thousand non-cumulative Trust Preferred Securities. The expected distribution is 6.415% until 31 December 2014, after which the expected distribution is equal to the three-month BBSW plus 1.6700%. The company has the right not to make a distribution. The total proceeds from this issue amounted to AUD 250 million. As from 31 December 2014, these Trust Preferred Securties can be repurchased on each distribution date (which is once a quarter) after prior written approval is received from the Dutch Central Bank.

A distribution becomes due on the Trust Preferred Securities issued in 1999 and 2003 included under subordinated debt if:

(I) the most recent, audited and adopted consolidated financial statements of Rabobank Nederland show that Rabobank Group realised a net profit (after tax and extraordinary expenses) in the previous year; or

(II) a distribution is made on securities that are more subordinated (such as Rabobank (Member) Certificates) or on securities of equal rank (pari passu); subject to the provision that no distribution becomes due should the Dutch Central Bank object (for example, if Rabobank Group's solvency ratio is below 8%).

The condition stated under (i) does not apply to Trust Preferred Securities issued in 2004. The other conditions do apply. If Rabobank Group realises a profit, Rabobank Nederland can make a distribution on these securities at its own discretion.

Trust Preferred Securities		
in millions of euros	2013	2012
Changes during the year:		
Opening balance	1,340	1,399
Foreign exchange differences and other	(71)	(59)
Closing balance	**1,269**	**1,340**

31 Other non-controlling interests

This item relates to shares held by third parties in subsidiaries and other group companies. The amount listed in 'Other third-party interests' relating to non-current assets and liabilities held for sale and discontinued operations is nil (2012: 3).

in millions of euros	2013	2012
Opening balance	1,407	2,676
Net profit	52	95
Currency translation differences	(16)	(5)
Entities included in consolidation/deconsolidated	-	(8)
Sale of Sarasin	-	(661)
Increase in equity interests in Obvion and Bank BGZ	-	(591)
Revaluation reserve - available-for-sale financial assets	-	22
Increase in stake in structured finance deal	(360)	-
Other	(44)	(121)
Closing balance	**1,039**	**1,407**

32 Interest

in millions of euros	2013	2012
Interest income		
Cash and cash equivalents	102	173
Due from other banks	289	353
Trading financial assets	158	214
Other financial assets at fair value through profit or loss	86	100
Loans to customers	19,203	20,683
Available-for-sale financial assets	1,550	1,745
Derivative financial instruments held as economic hedges	(1,787)	(1,557)
Pensions	13	44
Other	142	210
Total interest income	**19,756**	**21,965**
Interest expense		
Due to other banks	514	667
Other trade liabilities	28	43
Due to customers	4,458	5,714
Debt securities in issue	4,619	5,562
Other liabilities	251	127
Other financial liabilities at fair value through profit or loss	711	594
Other	82	87
Total interest expense	**10,663**	**12,794**
Interest	**9,093**	**9,171**

Capitalised interest attributable to qualifying assets amounted to 36 (2012: 31). The average interest rate applied in determining interest charges to be capitalised ranges between 1.9% and 5.5% (2012: between 2.6% and 5.5%).

33 Commissions

in millions of euros	2013	2012
Commission income		
Asset management	70	276
Insurance commissions	341	358
Lending	502	498
Purchase and sale of other financial assets	179	212
Payment services	587	610
Custodial fees and securities services	28	45
Handling fees	158	182
Other transactions involving financial instruments	81	180
Other commission income	248	216
Total commission income	**2,194**	**2,577**
Commission expense		
Asset management	1	19
Purchase and sale of other financial assets	65	184
Payment services	21	5
Custodial fees and securities services	10	7
Handling fees	42	41
Other commission expense	55	93
Total commission expense	**194**	**349**
Commission	**2,000**	**2,228**

34 Income from associates

in millions of euros	2013	2012
Rabobank share of profit of associates	207	245
Discontinued/disposed interests of associates	(50)	10
Income from associates	**157**	**255**
Key figures of associates are as follows:		
Total assets at year-end	103,800	104,299
Total liabilities at year-end	93,089	92,887
Total income	25,689	27,783
Net result	692	663

35 Net income from financial assets and liabilities at fair value through profit or loss

in millions of euros	2013	2012
Income from financial assets and derivatives held for trade	(798)	1,931
Income from other financial assets and liabilities at fair value through profit or loss	816	(1,272)
Other	214	213
Total income from financial assets and liabilities at fair value through profit or loss	**232**	**872**

The financial assets and liabilities listed in the above table are combined into portfolios. Profits from these instruments must be considered in conjunction with each other.

in millions of euros	2013	2012
Profit from interest-rate instruments	(144)	637
Income from equity instruments	178	5
Income from foreign currencies	89	65
Other	109	165
Total income from financial assets at fair value through profit or loss	**232**	**872**

36 Other income

in millions of euros	2013	2012
Real estate activities	(498)	57
Rental income	189	259
Termination of defined-benefit pension scheme	1,522	-
Other	269	642
Total other income	**1,482**	**958**

Income from real estate activities includes project income of 925 (2012: 1,526), project charges of 786 (2012: 1,306) and impairments of 637 (2012: 163).
Rental income includes operating lease income and rental income from investment properties.
Operating lease income includes income of 1,821 (2012: 1,818), depreciation charges of 807 (2012: 802) and other costs of 701 (2012: 757). Rental income from investment properties includes income of 58 (2012: 56), depreciation charges of 11 (2012: 16) and other costs of 171 (2012: 40).

37 Staff costs

in millions of euros	2013	2012
Wages and salaries	3,457	3,684
Social security contributions and insurance costs	420	444
Pension costs for defined contribution plans	463	58
Pension costs for defined benefit plans	224	547
Other post-employment benefits	9	(5)
Other staff costs	752	766
Total staff costs	**5,325**	**5,494**

Expressed in FTEs, the average number of employees was 58,249 (2012: 59,649).

In 2011, following implementation of CRD III and the regulations governing a restrained remuneration policy, Rabobank Group adopted an amended remuneration policy. Accordingly, variable remuneration is paid to identified staff (those capable of exercising material influence on Rabobank Group's risk profile) during such a period as to adequately take account of the risks inherent in the underlying business operations. Hence, payment of a significant portion – at least 50% – of variable remuneration is deferred. The immediate portion of variable remuneration is unconditional, whereas the deferred portion is conditional. The deferred portion vests after three years if the conditions are met. Among other things, it is assessed whether there has been a significant reduction in financial performance or a significant change in risk management at Rabobank Group and/or the relevant subsidiary or business unit that puts the circumstances assessed when the relevant variable remuneration was awarded in a different perspective (both personal performance and financial performance of the business unit and Rabobank Group in that year). As a rule, the right to any outstanding deferred remuneration lapses if the staff member's employment ends before the deferred portion of the variable remuneration vests.
Fifty percent of both the immediate and the deferred portion is awarded in cash. The cash component of the immediate portion is paid out immediately following its award, whereas the cash component of the deferred portion is paid out after the three-year vesting period, including the interest at a market rate accrued at the end of the vesting period.
Of both the direct and the deferred portion of the variable remuneration, 50% is allocated in the form of an instrument (instrument component), i.e. the Deferred Remuneration Note (DRN). Up to 2014, the amount of a DRN was linked directly to the price of a Rabobank Certificate/Member Certificate (RMC) and, after 2014, to the price of Rabobank Certificates (RC), as listed on NYSE Euronext. The instrument component is converted into DRNs at the time of allocation on completion of the performance year. The number of DRNs is based on the average closing prices for Rabobank Certificates as established on the NYSE Euronext exchange on the first five trading days in February of each year, with the exception of 2014, during which the average closing price for Rabobank Certificates will be the average of the closing prices of Rabobank Certificates as established on NYSE Euronext on the five trading days from 17-21 February 2014 (inclusive). Accordingly, this represents both the instrument component of the direct and the deferred portion of the variable remuneration. The final number of DRNs relating to the deferred portion is established on vesting (i.e. after a 3-year period).
The payment of the instrument component is subject to a 1-year retention period. On expiry of this period, employees receive a cash amount for each DRN held (or a portion thereof) corresponding to the amount of (I) the DRN at that time and (II) an amount equal to the payments made for RCs during the period of allocation until the expiry of the retention period.
Payment of the cash component of the variable remuneration is measured in accordance with IAS 19 Employee benefits, whereas payment of the DRNs is measured in accordance with IFRS 2 Share-based Payment. The immediate portion of the variable remuneration is recognised in the performance year, whereas the deferred portion is recognised in the years before vesting.
By and large, the same system is used for non-identified staff. Both the immediate and the deferred portion are paid fully in cash, which means that no DRNs are awarded.

At 31 December 2013, the costs of equity instrument-based payments were 8 (2012: 8). At 31 December 2013, a liability of 18 was recognised (2012: 16). The costs of variable remuneration paid in cash were 109 (2012: 117). The number of DRNs outstanding is presented below.

in thousands	2013	2012
Opening balance	986	547
Awarded during the year	308	439
Paid during the year	(223)	-
Changes from previous year	(119)	-
Closing balance	**952**	**986**

The amount of a DRN is linked directly to the price of an RC. The estimated payments to be made for the variable remuneration are shown in the table below.

At 31 December 2013			Year of payment			
in millions of euros	2014	2015	2016	2017	2018	Total
Variable remuneration, not including DRNs	102.0	13.9	7.5	7.3	-	130.7
DRNs	4.2	3.6	8.5	4.9	4.3	25.4
Total	**106.2**	**17.5**	**16.0**	**12.2**	**4.3**	**156.1**
At 31 December 2012			Year of payment			
in millions of euros	2013	2014	2015	2016	2017	Total
Variable remuneration, not including DRNs	109.8	-	14.4	12.6	-	136.8
DRNs	5.6	4.5	-	8.3	6.5	24.9
Total	**115.4**	**4.5**	**14.4**	**20.9**	**6.5**	**161.7**

38 Other administrative expenses

The other administrative charges include the costs associated with the completion of the Libor settlement at an amount of 774 and the addition to the reorganisation provision at an amount of 381. In addition, this item also includes travel expenses, automation costs, IT-related costs, postage costs, publicity costs, office supplies, rents and building maintenance expenses.

39 Depreciation and amortisation

in millions of euros	2013	2012
Depreciation of property and equipment	291	291
Amortisation of intangible assets	237	236
Total depreciation and amortisation	**528**	**527**

40 Value adjustments

in millions of euros	2013	2012
Due from other banks	(7)	(11)
Loans to customers	2,746	2,437
Receipts following write-offs	(103)	(87)
Credit related liabilities	6	8
Other assets	1	3
Total value adjustments	**2,643**	**2,350**

41 *Bank tax*

Banks operating in the Netherlands on 1 October of the year under review are required to pay bank tax. There are two rates of bank tax: a rate of 0.044% for current liabilities and a rate of 0.022% for long-term liabilities, based on the balance recorded in December 2012. Rabobank Group was charged a total of 197 in bank tax in 2013 (2012: 196).

42 *Taxation*

in millions of euros	2013	2012
Current income tax		
Reporting period	351	55
Prior years	10	17
Deferred tax	(293)	86
Income tax expense	**68**	**158**

The taxation on operating profit before taxation of Rabobank differs from the nominal amount based on Dutch standard tax rates. The reconciliation between the two amounts is shown below:

in millions of euros	2013	2012
Operating profit before taxation	415	2,067
Tax exempt income	(374)	(731)
Non-deductible expenses	854	129
Tax losses not recognised in prior years	(7)	(10)
Other	(11)	11
	877	**1,466**
Income tax expense based on a rate of 25.0% (2012: 25.0%)	219	367
Effect of different tax rates and other non-recurring tax gains or losses	(151)	(209)
Income tax expense	**68**	**158**

The non-tax-deductible charges consist mainly of the non-deduction of the settlement amount agreed by Rabobank following the Libor investigations.

43 *Non-current assets and liabilities held for sale*

Sale of Bank BGZ

In December 2013, Rabobank and BNP Paribas reached agreement regarding the cash sale of 98.5% of the shares in Rabobank in Bank Gospodarki Zywnosciowej (Bank BGZ) for an amount of 4.2 billion Polish Zloty (approximately EUR 1 billion). Impairment on goodwill is 10. The financial completion of the sale is scheduled for the second half of 2014. The reserves included in equity in relation to Bank BGZ were added to profit and result in a gain of approximately 21 after taxation.

The following assets and liabilities are included in non-current assets and liabilities held for the BGZ sale:

in millions of euros	2013
Assets	
Cash and cash equivalents	390
Due from other banks	121
Loans to customers	6,346
Available-for-sale financial assets	1,163
Other assets	807
Total assets	**8,827**
Liabilities	
Due to other banks	828
Due to customers	6,408
Other liabilities	589
Total liabilities	**7,825**

The consolidated profit or loss account includes the following amounts:

in millions of euros	2013
Interest	243
Fees and commissions	65
Other income	31
Total income	**339**
Staff costs	110
Other costs	197
Operating profit before taxation	**32**
Taxation	7
Net profit	**25**

Other non-current assets held for sale

The non-current assets held for sale in the amount of 353 (2012: 137) mainly comprise various types of real estate (including residential and commercial) in a variety of countries. The book value is expected to be realised through sale rather than through continued operation. The real estate properties which have been classified as 'held for sale' are mostly unique properties, with no active market for similar real estate in the same location and the same condition. A large number of parameters are used for the valuations of the various types of property investments, based on existing contracts and market data if possible. A certain level of assessment and estimation is generally unavoidable, which is why all non-current assets classified as 'held for sale' are classified in category III.
The parameters used to determine the fair value of the property investments, depending on the type of real estate, include: the current and expected market rent per square metre, current and expected future vacancy rates, the location of the property, the marketability of the property, the average discount rate, development budget and any credit risk.

44 Acquisitions and disposals

Sale of Robeco

In February 2013, Rabobank signed a purchase agreement with the Japanese-based financial services provider Orix regarding the sale of 90% of Robeco. In anticipation of future laws and regulations, Rabobank decided to sell Robeco. The sale is also expected to increase the growth outlook for Robeco. Robeco is a strategic acquisition of Orix and will be the main platform for future growth objectives relating to asset management. Robeco will continue to provide services to its customers under the existing brand names.

The exact outcome of the negotiations regarding the sales agreements did not become clear until a later stage. In the consolidated financial statements for 2012, the banking activities of Robeco (Roparco) are also recognised as assets and liabilities held for sale and discontinued operations. The Robeco operations were not sold and remain part of Rabobank Group. On 21 June 2013, Rabobank Nederland acquired Robeco's banking business – these operations will be accounted for in the Domestic Banking Retail business segment.
The comparative figures contained in the profit or loss account have been adjusted because the Robeco banking business is no longer classified as a discontinued operation. Paragraph 2.1.1 shows the effect of the elimination of the classification of Robeco's banking business as a discontinued operation.
The acquisition was completed on 1 July 2013 and deconsolidated as of that date. The sales profit of 1,585 is included in the net profit from discontinued operations. Rabobank retains a 10% stake in Robeco; this stake is classified as held for sale, while the revaluation of 159 is included in the sales profit.

The table below shows the profit after taxation from discontinued operations.

in millions of euros	2013	2012
Interest	10	(8)
Fees and commissions	340	658
Other income	1,647	10
Total income	**1,997**	**660**
Staff costs	208	255
Other costs	70	172
Operating profit before taxation	**1,719**	**233**
Taxation	54	84
Impairment on goodwill	-	-
Net profit from discontinued operations	**1,665**	**149**
Of which attributable to Rabobank Nederland and local Rabobanks	1,665	149
Net profit from discontinued operations	**1,665**	**149**

The table below shows cash flows upon sale.

in millions of euros	
Sale price	1,938
Shares in Orix	(150)
Net cash flow	**1,788**

45 Transactions with related parties

Two parties are considered related if one party exercises control or has significant influence over the other party (regarding finance or operating decisions). In the normal course of business, Rabobank conducts a wide variety of transactions with related entities, involving different types of loans, deposits and transactions in foreign currencies. Transactions between related parties also include transactions with associates, pension funds, joint ventures, the Executive Board and the Supervisory Board. These transactions are conducted at arm's length conditions and against market prices. In accordance with IAS 24.4, transactions within Rabobank Group are not disclosed in the consolidated financial statements.
In the normal course of Rabobank's business operations, banking transactions are carried out with related parties. These involve loans, deposits and transactions in foreign currencies. All these transactions were conducted at arm's length and against market prices. The volumes of related party transactions, year-end outstanding balances and the corresponding income and expenses during the year are presented in the table on the next page. Transactions and balances outstanding with members of the Executive Board and members of the Supervisory Board are disclosed in note 47. Transactions with pension funds are disclosed in note 25.

	Investments in associates		Other related parties	
in millions of euros	2013	2012	2013	2012
Loans				
Outstanding at beginning of year	465	424	13	13
Granted during the year	117	50	55	10
Repaid during the year	(5)	(37)	-	(10)
Other	(87)	28	-	-
Loans at end of the year	**490**	**465**	**68**	**13**
Due to other banks and due to customers				
Outstanding at beginning of the year	6,228	6,091	-	-
Received during the year	738	375	-	-
Repaid during the year	(80)	(322)	-	-
Other	(342)	84	-	-
Deposits at end of the year	**6,544**	**6,228**	**-**	**-**
Other liabilities	25	27	19	16
Credit liabilities and other guarantees issued by Rabobank	116	-	-	-
Income				
Interest income	26	27	-	-
Commission income	253	266	-	-
Trading income	44	4	-	-
Other	6	(1)	-	-
Total income from transactions with related parties	**329**	**296**	**-**	**-**
Expense				
Interest expense	360	358	-	-
Commission expense	-	-	-	-
Impairments	(1)	13	-	-
Total expenses from transactions with related parties	**359**	**371**	**-**	**-**

46 Costs of external auditor

in millions of euros	2013	2012
Financial statements audit	7	10
Other audit engagements	2	3
Other non-audit services	1	2
Total	**10**	**15**

In the year under review, the audit firm Ernst & Young Accountants LLP in the Netherlands invoiced the above amounts to Rabobank Nederland, its subsidiaries and other companies it consolidates, within the meaning of Section 382a of Book 2 of the Dutch Civil Code. These amounts do not include fees for financial statements audits, other audit engagements, tax consultancy services and other non-audit services charged by other auditors and other Ernst & Young business units.

47 Remuneration of members of the Supervisory Board and Executive Board

The members of the Supervisory Board and the Executive Board are listed in note 54 of these consolidated financial statements. Rabobank exclusively regards the members of the Executive Board as key management personnel. The members of the Executive Board are among the identified staff as disclosed in note 37.
In 2013, the remuneration of members and former members of the Executive Board amounted to 5.8 (2012: 11.5).

in thousands of euros	Total salaries	Pension contributions	Total performance-related bonus	Redemption of remuneration component	Total
P.W. Moerland *(served until 29 October 2013)*	862	255	6	-	1,123
M. Minderhoud *(joined on 29 October 2013)*	164	-	-	-	164
A. Bruggink	884	261	7	-	1,152
R.J. Dekker *(joined 1 November 2013)*	118	35	-	-	153
J.A.M. van der Linden *(served until 4 September 2013)*	600	177	13	-	790
B.J. Marttin	884	261	-	-	1,145
H. Nagel *(joined on 1 November 2013)*	118	35	-	-	153
S.N. Schat *(served until 18 November 2013)*	810	239	7	-	1,056
A.G. Silvis *(served until 25 January 2013)*	74	22	-	-	96
Total for 2013	**4,514**	**1,285**	**33**	**-**	**5,832**
Total for 2012	**6,905**	**1,607**	**177**	**2,791**	**11,480**

Mr Moerland resigned from the Executive Board on 29 October and subsequently retired on 1 November. Mr Moerland's remuneration was accounted for until 1 November. He did not receive any severance pay. Mr Schat resigned from the Executive Board effective 18 November; his remuneration was accounted for until 1 December. The standard notice period of four months until 1 April 2014 will be complied with. Based on an arbitration decision, Mr Schat received severance pay equivalent to one year's salary. The severance pay and the four months of remuneration during the notice period (including three months in 2014) were accounted for in the 2013 financial year, but are not included in the table above. Ms Silvis resigned from the Executive Board effective 25 January; one month of remuneration has been accounted for on her behalf. Mr Van der Linden resigned from the Executive Board on 4 September for health reasons; a total of nine months of remuneration was accounted for on his behalf. Mr Minderhoud joined the Executive Board on 29 October, followed by Mr Nagel and Mr Dekker on 1 November. Two months of remuneration has been accounted for all three members. Mr Minderhoud does not participate in the pension scheme. The voluntary repayment of 2 made by members of the Executive Board as part of the settlements made in relation to the Libor investigations are not included in the table. The amounts included in the table are also exclusive of the (non-recurrent) tax of 16% on the wages from current employment, provided this wage was in excess of EUR 150,000. The levy is 0.8 (2012: 1.4).

Although no performance-related bonuses were paid during either remuneration year 2012 or remuneration year 2013, a modest amount was paid under this heading in 2013. This represents interest paid on amounts deferred in accordance with the Group Remuneration Policy, along with the difference between the price of DRNs during the remuneration year and those during the year of allocation, 2011.

Total charges under staff costs fell to 5.0 (2012: 11.8). The decline in 2013 is mainly the result of the expiry of the redemption of a remuneration component completed in 2012 which was intended primarily for early retirement or as a pension supplement, the regular expiry of this remuneration component, the voluntary repayment of part of the variable remuneration and the fact that the Executive Board was not complete in 2013, on the one hand, and the severance pay awarded to Mr Schat, on the other. Since the variable remuneration for members of the Executive Board was discontinued in 2013, the number of DRNs granted for the performance year 2013 to members and former members of the Executive Board is 0 (2012: 0). The number of DRNs outstanding with members and former members of the Executive Board was 7,409 units at year-end 2013 (year-end 2012: 41,177 units). The pension scheme of the members of the Executive Board qualifies as a group defined-benefit scheme.

Expenses relating to members and former members of the Supervisory Board came to a total of 1.6 (2012: 1.5). This includes the VAT and employer's contributions payable. The increase is mainly the result of the fact that, since 1 January 2013, the remuneration of supervisory board members has been subject to VAT. In addition to remuneration for the role of member of the Supervisory Board of Rabobank Nederland, the remuneration also depends on the roles of the various committees. The composition of these committees is included in the annual report. The table on the next page shows the compensation structure for 2013 (excluding VAT and other charges).

in euros	Chairperson	Deputy Chairperson	Member
Supervisory Board	288,750	71,500	55,000
Audit, Compliance & Risk Committee *(until 25 September 2013)*	65,000	30,000	30,000
Audit Committee *(as from 25 September 2013)*	32,500	15,000	15,000
Risk Committee *(as from 25 September 2013)*	32,500	15,000	15,000
Appeals Committee	7,500	-	7,500
Cooperative Issues Committee	15,000	-	15,000
Appointments Committee	3,750	-	3,750
Remuneration Committee	3,750	-	3,750

The table below shows the remuneration (excluding VAT and other charges) for individual Supervisory Board members.

in thousands of euros	Remuneration
W. Dekker *(chairman effective 20 June 2013)*	231
Ms I.P. Asscher-Vonk	85
A. de Bruijn *(served until 1 July 2013)*	35
C.H. van Dalen *(joined on 1 September 2013)*	26
L.N. Degle	85
Ms L.O. Fresco	77
S.L.J. Graafsma	95
L. Koopmans *(served until 1 July 2013)*	171
E.A.J. van de Merwe	91
M. Minderhoud *(served until 29 October 2013)*	97
R. Teerlink *(joined on 1 September 2013)*	28
M.J.M. Tielen *(served until 1 July 2013)*	39
C.P. Veerman	75
A.J.A.M. Vermeer	121
Total for 2013	**1,256**
Total for 2012	**1,298**

At Rabobank, the Chairman of the Supervisory Board holds a number of roles which are related to the cooperative. These roles are specified in the Annual Report.

The loans, advances and guarantees of the members of the Executive Board who were in office on 31 December 2013 and the average interest rates are shown in the table below.

in millions of euros	Outstanding loans	Average interest rate (in %)
As at 31 December 2013		
M. Minderhoud	0.2	1.4
R.J. Dekker	1.3	2.8
H. Nagel	1.0	2.1
B.J. Marttin	0.9	4.0

The loans, advances and guarantees of the members of the Supervisory Board in office at 31 December 2013 and the average interest rates are shown in the table below.

in millions of euros	Outstanding loans	Average interest rate (in %)
As at 31 December 2013		
C.H. van Dalen	0.6	4.2
C.P. Veerman*	0.9	3.8
A.J.A.M. Vermeer**	0.0	2.9

* Excluding business loans in the amount of 4.1 at an average interest rate of 5.4%

** Excluding business loans in the amount of 1.2 at an average interest rate of 3.8%

The Supervisory Board members not listed in the table did not receive any loans, advances or guarantees at the end of 2013. These transactions with Executive Board members and Supervisory Board members in person were completed based on employee terms and/or market-level rates for the Supervisory Board. The amount of the rates depends in part on the currency, the agreed fixed-interest period and the time the transaction was completed or the time a new fixed-interest term becomes effective.

Several members of the Executive Board and Supervisory Board have invested in Rabobank Certificates in person and/or through their own pension B.V.s. This involved a total number of 28,101 certificates at the end of 2013.

	Number of Rabobank Certificates	
As at 31 December 2013		
A. Bruggink	12,166	
Ms I.P. Asscher-Vonk	6,894	
L.N. Degle	4,000	(in pension B.V.)
S.L.J. Graafsma	4,050	(in pension B.V.)
A.J.A.M. Vermeer	991	(including 800 in pension B.V.)

48 Principal subsidiaries and associates

Name	Share	Voting rights
Subsidiaries		
The Netherlands		
De Lage Landen International B.V.	100%	100%
Rabo Vastgoedgroep N.V.	100%	100%
OWM Rabobanken B.A.	100%	100%
Obvion N.V.	100%	100%
Friesland Bank N.V.	100%	100%
Rabohypotheekbank N.V.	100%	100%
Rabo Merchant Bank N.V.	100%	100%
Raiffeisenhypotheekbank N.V.	100%	100%
Schretlen & Co N.V.	100%	100%
Other eurozone/EU countries		
ACCBank Plc	100%	100%
North America		
Rabobank Capital Funding LCC II to VI	100%	100%
Rabobank Capital Funding Trust II to VI	100%	100%
Utrecht America Holdings Inc.	100%	100%
Australia and New Zealand		
Rabobank Australia Limited	100%	100%
Rabobank New Zealand Limited	100%	100%
Investments in associates		
The Netherlands		
Achmea B.V.	29%	29%
Equens N.V.	15%	15%
Gilde Venture Capital fondsen	Divers	Divers

Rabobank holds less than 20% of the voting rights in Equens, but has significant influence over Equens. For instance, two members of the Supervisory Board of Equens, as well as the chairman of the Audit & Compliance Committee, are Rabobank representatives. On account of Rabobank's significant influence over Equens, the interest qualifies as an associate.

49 Joint ventures

The table includes the assets and liabilities and the income and expense items of joint ventures listed below. The amounts reflect Rabobank's interests. Most joint ventures are entities of Rabo Real Estate Group.

in millions of euros	2013	2012
Assets		
Loans and due from other banks	52	56
Loans and due from private and public-sector clients	98	120
Real estate	621	594
Other assets	25	21
Total assets	**796**	**791**
Liabilities		
Due to other banks	227	184
Due to private and public-sector clients	366	364
Other liabilities	203	243
Total liabilities	**796**	**791**
Operating income	(34)	-
Operating expense	3	3
Operating profit before taxation	**(37)**	**(3)**
Taxation	1	1
Net profit	**(36)**	**(4)**

The principal joint ventures in which Rabo Real Estate Group participates are:

Inflation Exchange Fund Capital N.V., Netherlands (40%)
ZOM Real Estate Service B.V., Netherlands (50%)
Ontwikkelingscombinatie Wateringse Veld C.V., Netherlands (50%)
Rotij Planontwikkeling B.V., Netherlands (25%)
Bouwfonds - Fortis Vastgoedontwikkeling Leidsche Rijn V.O.F., Netherlands (50%)
IJ-Delta Ontwikkeling V.O.F., Netherlands (25%)
V.O.F. Leidschendam Centrum, Netherlands (25%)

50 Transfer of financial assets and financial assets provided as collateral

Reverse repurchase transactions and securities borrowing agreements

Reverse repurchase transactions and securities borrowing agreements concluded by Rabobank are included under 'Due from other banks' or 'Loans to customers'. At 31 December, they amounted to:

in millions of euros	2013	2012
Due from other banks	22,418	16,848
Loans to customers	10,697	11,410
Total reverse repurchase transactions and securities borrowing agreements	**33,115**	**28,258**

Under the terms of the reverse repurchase transactions and securities borrowing agreements, Rabobank receives collateral under conditions that enable it to repledge or resell the collateral to third parties. The total fair value of the securities received under the terms of the agreements was 34,542 at 31 December 2013 (2012: 29,480). In accordance with the agreement terms, a portion of the securities was repledged or sold as collateral. These transactions were effected subject to the normal conditions for standard reverse repurchase transactions and securities borrowing agreements. The securities are not recognised in the statement of financial position, given that substantially all associated risks and benefits accrue to the counterparty.
A receivable is recognised equalling the amount paid as collateral.

Repurchase transactions and securities lending agreements

Repurchase transactions and securities lending agreements concluded by Rabobank are included under 'Due to other banks' and 'Due to customers'. At 31 December, they amounted to:

in millions of euros	2013	2012
Due to other banks	808	1,986
Due to customers	1,474	2,299
Total repurchase and securities lending	**2,282**	**4,285**

At 31 December 2013 and 2012, interest-bearing securities with a carrying amount of 2,540 and 4,345 respectively had been provided as collateral for repurchase and similar agreements. In general, the counterparty has the right to sell or repledge the securities. These transactions were performed subject to the normal conditions for standard repurchase transactions and securities lending agreements. The bank may provide or receive securities or cash as collateral if the value of the securities changes. The securities are not derecognised, given that substantially all associated risks and benefits accrue to Rabobank, including credit and market risk. A liability is recognised equalling the amount received as collateral.

Securitisations

As part of Rabobank Group's financing activities and liquidity management, as well as to reduce credit risk, cash flows from certain financial assets are transferred to third parties. Most financial assets subject to these transactions are mortgage and other loan portfolios that are transferred to a special purpose vehicle that is subsequently consolidated. After securitisation, the assets continue to be recognised in Rabobank Group's statement of financial position, chiefly under 'Loans to customers'. The securitised assets are measured in accordance with the accounting policies referred to in note 2.15.
The carrying amount of these financial assets is 75,937 (2012: 77,150) and the corresponding liability amounts to 75,959 (2012: 77,724). Approximately 75% (2012: 75%) of transferred assets are securitised internally for liquidity purposes.

Carrying amount of financial assets provided as security for (contingent) liabilities

in millions of euros	2013	2012
Due from other banks	9,823	9,692
Loans to customers	8,151	15,058
Available-for-sale financial assets	15,067	10,295
Total	**33,041**	**35,045**

The assets referred to above (except repurchase transactions and securities lending) were provided to counterparties as security for (contingent) liabilities. If Rabobank remains in default the counterparties may use the security to settle the debt.

51 Events after the reporting date

No events occurred following the reporting date that provide additional information on the actual situation on the reporting date.

52 Balance sheet as at 1 January 2012

in millions of euros	At 1 January 2012
Assets	
Cash and cash equivalents	70,430
Due from other banks	25,221
Trading financial assets	8,112
Other financial assets at fair value through profit or loss	7,015
Derivative financial instruments	58,973
Loans to customers	468,085
Available-for-sale financial assets	51,930
Held-to-maturity financial assets	109
Investments in associates	3,340
Intangible assets	2,802
Property and equipment	6,132
Investment properties	784
Current tax assets	571
Deferred tax assets	995
Other assets	11,035
Non-current assets held for sale and discontinued operations	14,956
Total assets	**730,490**
Liabilities	
Due to other banks	26,259
Due to customers	329,892
Debt securities in issue	213,441
Derivative financial instruments and other trade liabilities	64,931
Other debts	8,422
Other financial liabilities at fair value through profit or loss	25,889
Provisions	765
Current tax liabilities	324
Deferred tax liabilities	600
Subordinated debt	2,413
Liabilities held for sale and discontinued operations	13,435
Total liabilities	**686,371**
Equity	
Equity of Rabobank Nederland and local Rabobanks	25,618
Equity instruments issued directly	
Rabobank (Member) Certificates	6,614
Capital Securities	7,645
	14,259
Equity instruments issued by subsidiaries	
Capital Securities	167
Trust Preferred Securities III to VI	1,399
	1,566
Other non-controlling interests	2,676
Total equity	**44,119**
Total equity and liabilities	**730,490**

53 Management's report on internal control over financial reporting

The management of Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank Nederland) is responsible for establishing and maintaining adequate internal control over financial reporting. Management is also responsible for the preparation and fair presentation of the consolidated financial statements.

Rabobank Nederland's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation and fair presentation of financial statements for external purposes in accordance with International Financial Reporting Standards as adopted by the European Union.

All internal control systems, no matter how well designed, have inherent limitations. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that control may become inadequate, because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of Rabobank Nederland's internal control over financial reporting as of 31 December 2013 based on the framework set forth by the Committee of Sponsoring Organisations of the Treadway Commission (COSO) established in Internal Control - Integrated Framework. Based on that assessment, management concluded that, as of 31 December 2013, Rabobank Nederland's internal control over financial reporting is effective based on the criteria established by COSO.

Ernst & Young Accountants LLP, which has audited the consolidated financial statements of Rabobank Nederland for the financial year ended 31 December 2013, also examined management's assessment of the effectiveness of Rabobank Nederland's internal control over financial reporting and the effectiveness of Rabobank Nederland's internal control over financial reporting; its report is included on page 97.

M. Minderhoud A. Bruggink

54 Approval of Supervisory Board

The publication of these financial statements was approved by the Supervisory Board on 24 February 2014. They will be submitted to the General Meeting for adoption in June 2014. Rabobank Nederland's Articles of Association provide as follows with regard to adoption of the financial statements: 'The Annual General Meeting's resolution to adopt the financial statements shall be passed by an absolute majority of the votes validly cast'.

Executive Board

M. Minderhoud, *Chairman*
A. Bruggink , *CFRO*
R.J. Dekker
B.J. Marttin
H. Nagel

Supervisory Board

W. Dekker, *Chairman*
A.J.A.M. Vermeer, *Deputy Chairman*
Ms I.P. Asscher-Vonk, *Secretary*
C.H. van Dalen
L.N. Degle
Ms L.O. Fresco
S.L.J. Graafsma
E.A.J. van de Merwe
R. Teerlink
C.P. Veerman

Independant auditor’s report

To the executive board and supervisory board of Rabobank Nederland

Report on the consolidated financial statements

We have audited the consolidated financial statements 2013 which are part of the financial statements of Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank Nederland), Amsterdam, and comprise the consolidated statement of financial position as at 31 December 2013, the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and notes, comprising a summary of significant accounting policies and other explanatory information.

Executive board’s responsibility

The executive board of Rabobank Nederland is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code, and for the preparation of the executive board report in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore the executive board is responsible for such internal control as it determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the executive board of Rabobank Nederland, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion with respect to the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Rabobank Nederland as at 31 December 2013, and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under Section 2:393 sub 5 at e and f of the Dutch Civil Code, we have no deficiencies to report as a result of our examination whether the management board report , to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required under Section 2:392 sub 1 at b-h has been annexed. Further we report that the management board report , to the extent we can assess, is consistent with the consolidated financial statements as required by Section 2:391 sub 4 of the Dutch Civil Code.

Amsterdam, 24 February 2014

Ernst & Young Accountants LLP

/s/ C.B. Boogaart

Independent auditor's Assurance report

To the executive board and supervisory board of Rabobank Nederland

Assurance report

We have performed an assurance engagement on internal control over financial reporting of Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank Nederland).

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements in accordance with generally accepted accounting policies. A company's internal control over financial reporting includes those policies and procedures that:

1. pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;
2. provide reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with generally accepted accounting policies, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and
3. provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the consolidated financial statements.

Inherent limitations

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Executive Board's responsibility

The Executive Board of Rabobank Nederland is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting.

Auditor's responsibility

Our responsibility is to conclude on the Executive Board's assessment and on the effectiveness of Rabobank Nederland's internal control over financial reporting based on the procedures performed during our assurance engagement.

We conducted our assurance engagement in accordance with Dutch law, including ISAE 3000 'Assurance engagements other than audits or reviews of historical financial information' based on criteria established in 'Internal Control – Integrated Framework', issued by the Committee of Sponsoring Organisations of the Treadway Commission (the COSO criteria).
This requires that we plan and perform the assurance engagement to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our assurance engagement included obtaining an understanding of internal control over financial reporting, evaluating the assessment of Rabobank Nederland's Executive Board, testing and evaluate the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances.

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

Conclusion

Based on the procedures performed we conclude that the Executive Board's conclusion that, as of 31 December 2013, Rabobank Nederland's internal control over financial reporting is effective, is fairly stated, in all material respects, based on the COSO criteria.

Amsterdam, 24 February 2014

Ernst & Young Accountants LLP

/s/ C.B. Boogaart

Colophon

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Disclaimer
These Consolidated Financial Statements are a translation of the Dutch Consolidated Financial Statements. In the event of any conflict in interpretation, the Dutch original takes precedence.

About the Consolidated Financial Statements
This publication, the financial statements and the separate edition 'Annual Report 2013 Rabobank Group' together form the annual report, the financial statements and other information of the Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A.

Filing
After they have been adopted, the Annual Report 2013, the Financial Statements 2013 and other information will be filed at the offices of Trade Registry of the Chamber of Commerce and Industries under number 30.046.259.

Annual Reporting
In 2014 Rabobank Group publishes the following annual reporting documents, both in English and in Dutch:
- Annual Summary 2013 Rabobank Group - Jaarbericht 2013 Rabobank Groep
- Annual Report 2013 Rabobank Group - Jaarverslag 2013 Rabobank Groep
- Consolidated Financial Statements 2013 Rabobank Group - Geconsolideerde jaarrekening 2013 Rabobank Groep
- Financial Statements 2013 Rabobank Nederland - Jaarrekening 2013 Rabobank Nederland
- Capital Adequacy and Risk Management Report 2013 (Pillar 3) - only in English
- Sustainability Report 2013 Rabobank Group - Duurzaamheidsverslag 2013 Rabobank Groep
- Interim Report 2014 Rabobank Group - Halfjaarverslag 2014 Rabobank Groep

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

Materials used
Rabobank Group uses environmentally-friendly materials when printing this document.

Contact
Rabobank Group has exercised the utmost care in compiling the information contained in these Consolidated Financial Statements. 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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Consolidated Financial Statements 2013 Rabobank Group
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