Financial Statements 2013

Rabobank Nederland

Rabobank

Contents

Annual figures

Statement of financial position of Rabobank Nederland (before profit appropriation)

in millions of euros	Note	At 31 December 2013		At 31 December 2012	
Assets					
Cash and cash equivalents	1		41,718		65,892
Short-term government securities	2		1,636		1,401
Professional securities transactions		21,631		15,605	
Other due from other banks		114,052		117,900	
Due from other banks	3		135,683		133,505
Public sector lending		1,570		2,502	
Private sector lending		121,461		129,743	
Professional securities transactions		10,823		11,633	
Loans to customers	4		133,854		143,878
Interest-bearing securities	5		94,753		99,470
Shares	6		1,134		1,485
Interests in group companies	7		13,149		15,116
Other equity interests	8		2,653		2,776
Intangible assets	9		410		448
Property and equipment	10		861		913
Other assets	11		3,307		2,030
Derivative financial instruments	12		47,438		80,559
Prepayments and accrued income	13		2,948		3,248
Total assets			**479,544**		**550,721**

in millions of euros	Note	At 31 December 2013		At 31 December 2012	
Liabilities					
Professional securities transactions		275		329	
Other due to other banks		32,084		44,943	
Due to other banks	14		32,359		45,272
Savings		21,097		13,730	
Professional securities transactions		6,825		7,487	
Other due to customers		83,837		101,536	
Due to customers	15		111,759		122,753
Debt securities in issue	16		189,670		213,737
Other debts	17		57,246		56,382
Derivative financial instruments	12		55,810		78,019
Accruals and deferred income			3,419		3,577
Provisions	18		694		1,716
			450,957		521,456
Subordinated debt	19		9,617		7,910
Capital		6,002		6,002	
Rabobank (Member) Certificates		5,823		6,672	
Capital Securities		7,204		7,289	
Revaluation reserve and translation differences		(3,118)		(2,147)	
Statutory reserves		137		107	
Other reserves		1,743		2,438	
Profit for the year		1,179		994	
Equity	20		18,970		21,355
Capital base			28,587		29,265
Total equity and liabilities			**479,544**		**550,721**
Contingent liabilities	23		17,347		21,832
Irrevocable facilities	24		34,050		37,211

Statement of income of Rabobank Nederland

	For the year ended 31 December	
in millions of euros	2013	2012
Income from interests in group companies and other equity interests after tax	519	1,232
Other income after tax	660	(238)
Net profit after tax	**1,179**	**994**

Prepared in accordance with Section 402 of Book 2 of the Dutch Civil Code.

Notes to the financial statements of Rabobank Nederland

1 General information

The financial statements of Rabobank Nederland, a credit institution as referred to in Section 1:1 of the Financial Supervision Act, have been prepared in accordance with accounting policies generally accepted in the Netherlands and comply with the financial reporting requirements included in Part 9 of Book 2 of the Dutch Civil Code. Apart from one exception, these accounting policies are the same as those used in preparing the consolidated financial statements of Rabobank Group, which have been prepared in accordance with IFRS as adopted by the European Union. The exception concerns the measurement of associates (and joint ventures), which are measured at net asset value. The terminology of the following accounting policies is derived from the consolidated financial statements.
Rabobank Group (Rabobank) comprises the local Rabobanks (Members) in the Netherlands, the central cooperative Rabobank Nederland and other specialised subsidiaries. Rabobank Nederland has its registered office in Amsterdam.
The accounting policies applying to the financial statements of Rabobank Nederland are set out below. Rabobank forms a fiscal unit with a number of subsidiaries and related member banks.

2 Accounting policies

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

2.1 General information

New and amended standards issued by the International Accounting Standards Board (IASB), endorsed by the European Union and applicable during the current financial year.

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. Furthermore, we also factored in our own credit rating. 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, IASB issued amendments to the requirements regarding the accounting of compensation following termination of employment. The amendments in question are substantial, and may 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 early 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 the 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 the 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, which have not yet been endorsed by the European Union
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.

These financial statements are prepared based on the principles set out below. Unless otherwise specified, the other assets and liabilities are accounted for based on historical cost.

Unless otherwise specified, amounts in these financial statements are stated 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 on equity		
Equity prior to the implementation of the amended standard	23,902	24,478
Increase in other assets	(1,700)	(1,175)
Increase in other liabilities	(1,357)	-
Decrease in provisions	510	293
	(2,547)	**(882)**
Equity after application of the amended standard	**21,355**	**23,596**

In addition, net profit for 2012 was also adjusted from 1,048 to 994.

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. Other income after taxes fell by the same amount.

2.1.2 Judgements and estimates

The preparation of the financial statements requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the interim financial statements, and the reported amounts of revenues and expenses during the reporting period. This primarily concerns the determination of the provisions, taxes, consolidation, determination of the fair value of assets and liabilities and determination of impairment. This involves an assessment of the situations, based on the financial data and information available. Although these estimates are made based on the most careful assessment by the management of current events and actions, actual results may vary 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 positions, 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 are prepared based on continuity, and there are no indications that would lead us to conclude that this will change in the future.

2.2 Equity interests

2.2.1 Subsidiaries

The subsidiaries, i.e. companies and other entities (including special purpose entities), over which Rabobank exercises control, directly or indirectly, are measured at net asset value. Subsidiaries are included from the date on which Rabobank obtains control, and cease to be included on the date that this control ends.

2.2.2 Joint ventures

The interests of Rabobank in entities where control is shared are measured at net asset value.

2.2.3 Investments in associates

Investments in associates are measured at net asset value. With this method, Rabobank's share of the profits and losses of an associate, after its acquisition and subject to Rabobank's accounting policies, 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. 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 or loss.

2.3.2 Instruments not used for hedging

Realised and unrealised gains and losses on derivative financial instruments classified by Rabobank as held for trading are recognised under 'trading income'.

2.3.3 Hedging instruments

Rabobank also uses derivative financial instruments for Rabobank Group and local Rabobanks 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. Buckets are used to measure effectiveness.

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.

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. The non-effective part of the changes in the fair values of the derivative financial instruments is recognised in profit or 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 or 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.

As part of Rabobank's risk management, various risks, including interest rate and liquidity risks inherent in mortgage loans granted and savings deposits raised, that arise at local Rabobanks are transferred to Rabobank Nederland by means of inter-company loans and derivative financial instruments. To hedge those risks, Rabobank Nederland enters into derivative financial transactions with external parties, applying hedge accounting in the consolidated financial statements. As a result of the transfers, those risks are presented in various forms in Rabobank Nederland's statement of financial position. Combined, they represent the hedged item with respect to the hedge in the company financial statements for which hedge accounting is applied in conformity with Dutch Accounting Standard 290.

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 Assets held for trading (trading portfolios)

Financial assets held for trading are financial assets acquired in order to generate 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 trough 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 trough profit or 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. 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 trough 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 (investment portfolio)

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 or 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 (professional securities transactions)

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 2.23.

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).

These 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 Transactions in foreign currencies

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 charges are accounted for, based on the applicable scope, in the profit or loss account for all interest-bearing instruments whereby the Effective Interest Method is used. Interest income includes coupons relating to fixed-income financial assets, financial assets held for trading, accumulated premiums/ discounts on treasury notes and other discounted instruments. If loans are subject to impairment, they are impaired up to their recoverable amounts. Interest income is subsequently accounted for based on the original interest rate used in order to cash future cash flows so as to determine the recoverable amount. Interest on trading derivatives held for economic hedging is presented separately below interest income.

2.14 Fees and commission

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;
- 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 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

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.
Straight-line 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 depriciated
- Buildings	25 - 40 years
Apparatuur, waaronder	
- Equipment, including	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 holdings and buildings compared with their original benefits are capitalised and subsequently depreciated.

2.18 Investment properties

Investment properties – comprised mainly of office buildings – are held for long-term interest income and are not used by Rabobank or any of its subsidiaries. Investment properties are accounted for as long-term investments and are recognised at fair value, after deduction of accumulated depreciation and impairment. Investment properties are depreciated over a 40-year period.

2.19 Leasing

2.19.1 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 straight-line basis over the term of the lease.

2.19.2 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 Net profit on a straight-line basis over the term of the lease.

2.20 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.

2.20.1 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.

2.20.2 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.

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

2.21 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.

2.21.1 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.

2.21.2 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.

2.21.3 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.

2.21.4 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 2.22.

2.22 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.

2.23 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.

2.24 Due to other banks, due to customers and debt securities in issue (including subordinated debt)

These are the items Due to other banks, Due to customers, Debt securities in issue and Subordinated debt. 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.

2.25 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.

2.26 Capital Securities

Capital Securities are recognised as 'Equity', as there is no formal obligation to repay the principal or to pay the dividend.

2.27 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.

3 Solvency and capital management of Rabobank Group

The ratios applying to Rabobank Group are set out below. The solvency position is managed and quantified at Group level, rather than at that of Rabobank Nederland.
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	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	1,269	1,340
Trust Preferred Securities II	-	415
Capital Securities	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 pensioen-verslaggevingsstandaard (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 manages and quantifies the risks it is exposed to at group level rather than at Rabobank Nederland level. Therefore, please refer to the notes to the consolidated financial statements for further details on Rabobank Group's risk management.

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, basic 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.

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-eye 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.

At the reporting date, the maximum credit risk from counterparties failing to meet their obligations under financial instruments, disregarding the fair value of collateral obtained, stood at 472,429 (2012: 546,537).

4.4.1 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.

4.4.2 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.

4.4.3 *Off-balance-sheet financial instruments*

The guarantees and stand-by letters of credit which Rabobank provides to third parties in the event a client cannot fulfil its obligations towards 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.

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.

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.

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.

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.

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. The VaR is calculated over time horizons of both one day and ten days. For internal risk management purposes, Rabobank has opted for a confidence level of 97.5%. Furthermore, the VaR with a confidence level of 99% is also calculated on a daily basis.
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.

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 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 Euro 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 excpected 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.

Notes to the statement of financial position of Rabobank Nederland

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

1 *Cash and cash equivalents*

This item consists of legal tender, balances available on demand with foreign central banks in countries where Rabobank operates, as well as a balance with De Nederlandsche Bank (the Dutch Central Bank) required under its minimum reserve policy.

2 *Short-term government securities*

This item relates to government securities with an original term to maturity of up to two years that the central bank in the country of origin will redeem at a discount or accept as collateral. The cost and market value of short-term government securities are virtually the same.

	2013	2012
Recognised in the trading portfolio	196	800
Recognised in the investment portfolio	1,440	601
Total short-term government securities	**1,636**	**1,401**

3 *Due from other banks*

This item represents loans and advances to other banks, other than in the form of interest-bearing securities.

	2013	2012
Included in this item are:		
Loans and advances to group companies	96,426	100,527
Of which subordinated	309	232
The terms of receivables from other banks other than group companies are as follows:		
On demand or undated	15,299	13,078
≤ 3 months	20,261	16,254
> 3 months ≤ 1 year	2,375	1,484
> 1 year ≤ 5 years	1,102	1,888
> 5 years	220	274
	39,257	**32,978**

The fair value of collateral that Rabobank can sell or pledge is 22,490 (2012: 13,811).

4 *Loans to customers*

This item consists of loans and advances arising in the course of business operations, other than receivables from banks and interest-bearing securities.

	2013	2012
Breakdown of loans to customers:		
Public sector lending	1,570	2,502
Private sector lending	121,461	129,743
Professional securities transactions	10,823	11,633
Total lending	**133,854**	**143,878**
Included in this item are:		
Other mortgages	233	678
Total home mortgages	774	2
Total lending	133,854	143,878
Of which to group companies	77,305	80,001
Of which recognised in the trading portfolio	1,974	2,585
Of which recognised in the investment portfolio	7	8
	54,568	**61,284**
The terms of loans and advances other than to group companies can be broken down as follows:		
On demand or undated	8,294	10,857
≤ 3 months	15,534	19,154
> 3 months ≤ 1 year	6,647	6,593
> 1 year ≤ 5 years	16,169	16,905
> 5 years	7,924	7,775
	54,568	**61,284**
Breakdown of private sector lending by sector:		
Agricultural sector	42%	38%
Trade, industry and services	58%	62%
Private individuals	0%	0%
	100%	**100%**

The fair value of collateral accepted in the form of debt securities is 2,804 (2012: 4,567).

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**

If the reclassification had not been made, net profit from assets held for trading would have been 42 higher (2012: 137 higher).
The change in the equity position in 2013 would have been more positive by 113 (2012: more negative by 37) if the reclassification of financial assets held for sale had not been made.
Following reclassification, the reclassified financial assets have contributed to income before tax as follows:

	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**

The value adjustments include reverse entries of impairment and income after the write-off in the amount of 233 (2012: 215) and impairments in the amount of 79 (2012: 80).

5 Interest-bearing securities

This item represents interest-bearing negotiable bonds and other interest-bearing securities, other than short-term government securities.

	2013	2012
Interest-bearing securities of:		
Public authorities	32,024	32,957
Other issuers	62,729	66,513
Total interest-bearing securities	**94,753**	**99,470**
Breakdown of interest-bearing securities:		
Investment portfolio	88,623	93,366
Investment portfolio at fair value through profit or loss	2,911	3,619
Trading portfolio	2,236	2,375
Securitised receivables	983	110
	94,753	**99,470**
The portfolio also includes:		
Securities issued by group companies	53,138	55,339
Listed securities	34,198	35,230
Unlisted securities/group companies	60,555	64,240

6 Shares

This item consists of shares and other non-interest-bearing securities, including temporary other investments.

	2013	2012
This breaks down as follows:		
Investment portfolio	532	177
Investment portfolio containing value adjustments through profit or loss account	40	-
Trading portfolio	562	1,308
	1,134	**1,485**
Listed portion of the portfolio	554	1,279
Non-listed portion of the portfolio	580	206

7 Interests in group companies

This item includes the interests held directly in group companies.

	2013	2012
Share interests in:		
Credit institutions	6,189	5,866
Other	6,960	9,250
Total equity investments in group companies	**13,149**	**15,116**
Statement of changes:		
Book value as at 1 January	15,116	14,133
Purchases/capital contributions during the financial year	66	473
Acquisition of Friesland Bank	-	260
Sale of Robeco	(613)	-
Sales, disposals and liquidations during the financial year	(615)	(59)
Profit	416	1,093
Dividend	(657)	(788)
Revaluation	(564)	4
Book value at 31 December	**13,149**	**15,116**

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 acquisition was completed on 1 July 2013, with the sales amount being 1,585 billion. Rabobank has retained a 10% stake in Robeco, which is classified as a share interest. The revaluation of 159 is included in the revaluation reserve – Shares and non-interest-bearing securities.

8 Other equity interests

This item includes the interests in associates.

	2013	2012
Equity interests, of which:		
Credit institutions	108	133
Other	2,545	2,643
Total other equity interests	**2,653**	**2,776**
Changes in equity interests:		
Carrying amount at 1 January	2,776	2,548
Acquisitions	4	25
Disposals	(1)	-
Net profit	103	139
Revaluation	(173)	74
Dividend	(56)	(10)
Carrying amount at 31 December	**2,653**	**2,776**

9 Intangible assets

This item includes software.

	2013	2012
Software	410	448
Total intangible assets	**410**	**448**

Changes in intangible assets 2013		
	Software	Total
Carrying amount at 1 January	448	448
Acquisitions	108	108
Disposals during the year (to group companies)	-	-
Amortisation	(138)	(138)
Impairment losses	(13)	(13)
Exchange differences and other	5	5
Carrying amount at 31 December	**410**	**410**
Accumulated amortisation and impairment losses	797	797

Changes in intangible assets 2012		
	Software	Total
Carrying amount at 1 January	437	437
Acquisitions	133	133
Disposals during the year (to group companies)	(5)	(5)
Amortisation	(137)	(137)
Impairment losses	(7)	(7)
Exchange differences and other	27	27
Carrying amount at 31 December	**448**	**448**
Accumulated amortisation and impairment losses	677	677

10 Property and equipment

This item consists of land and buildings, equipment and other tangible non-current assets, as well as property and equipment not in own use, such as non-current assets acquired under foreclosure.

	2013	2012
Land and buildings in own use	733	768
Equipment	128	145
Total property and equipment	**861**	**913**

Changes in property and equipment 2013			
	Land and buildings in own use	Equipment	Total
Carrying amount at 1 January	768	145	913
Acquisitions	7	40	47
Disposals	(15)	(12)	(27)
Depreciation	(8)	-	(8)
Impairment losses	(42)	(43)	(85)
Exchange differences and other	23	(2)	21
Carrying amount at 31 December	**733**	**128**	**861**
Accumulated depreciation and impairment losses	456	279	735

Changes in property and equipment 2012			
	Land and buildings in own use	Equipment	Total
Carrying amount at 1 January	754	143	897
Acquisitions	41	67	108
Disposals	-	(20)	(20)
Depreciation	(43)	(47)	(90)
Impairment losses	-	-	-
Exchange differences and other	16	2	18
Carrying amount at 31 December	**768**	**145**	**913**
Accumulated depreciation and impairment losses	443	286	729

11 Other assets

This item relates to precious metals, certificates representing precious metals, coins and medals made of precious metals (not being legal tender), goods and warehouse receipts, current and deferred tax assets and assets that cannot be classified under any other heading.

	2013	2012
This includes the following items:		
Current tax liabilities	-	242
Deferred tax liabilities	1,442	282
Employee benefits	5	6

Fiscal unit for corporate income tax purposes

Rabobank Nederland forms a fiscal unit for purposes of corporate income tax with a number of domestic subsidiaries and the member banks. Under the fiscal unit, each participating legal entity is jointly and severally liable for the fiscal unit's corporate income tax liabilities.

12 Derivative financial instruments

The notes to the derivatives are included below.

	2013	2012
Assets		
This item can be broken down as follows:		
Derivative contracts with third parties	36,690	61,004
Derivative contracts with group companies	10,748	19,555
Total derivative financial instruments	**47,438**	**80,559**
Liabilities		
This item can be broken down as follows:		
Derivative contracts with third parties	48,555	72,953
Derivative contracts with group companies	7,255	5,066
Total derivative financial instruments	**55,810**	**78,019**

This item includes derivatives received by Rabobank as compensation for the issues in December 2013 of Rabobank (Member) Certificates, along with a cash amount. This derivative was initially valued at 152; this is recognised in the other reserves.

The table below shows the notional amounts and the positive and negative fair values of Rabobank's derivative contracts with third parties.

	Notional amounts	Fair values	
At 31 December 2013		Assets	Liabilities
Derivative financial instruments held for trading			
Interest rate contracts	**2,303,895**	**26,944**	**26,518**
OTC	2,257,282	26,943	26,517
Listed	46,613	1	1
Currency contracts	**374,501**	**4,532**	**5,500**
OTC	374,501	4,532	5,500
Listed	-	-	-
Credit derivative financial instruments	7,851	196	452
Other contracts	**22,623**	**1,462**	**1,651**
OTC	14,943	1,089	1,279
Listed	7,680	373	372
Derivative financial instruments held as hedges			
Derivative financial instruments designated as fair value hedges			
Interest rate contracts	63,724	1,071	11,495
Currency contracts	47,273	2,019	68
Derivative financial instruments designated as cash flow hedges			
Currency contracts	20,045	466	2,871
Total derivative financial contracts with third parties	**2,839,912**	**36,690**	**48,555**

	Notional amounts	Fair values	
At 31 December 2012		Assets	Liabilities
Derivative financial instruments held for trading			
Interest rate contracts	**2,716,985**	**46,921**	**44,160**
OTC	2,655,464	46,921	44,142
Listed	61,521	-	18
Currency contracts	**400,829**	**6,960**	**6,835**
OTC	400,829	6,960	6,835
Listed	-	-	-
Credit derivative financial instruments	16,073	746	1,030
Other contracts	**33,135**	**995**	**2,113**
OTC	19,043	604	1,341
Listed	14,092	391	772
Derivative financial instruments held as hedges			
Derivative financial instruments designated as fair value hedges			
Interest rate contracts	77,864	1,644	17,736
Currency contracts	43,943	2,262	11
Derivative financial instruments designated as cash flow hedges			
Currency contracts	23,603	1,476	1,068
Total derivative financial contracts with third parties	**3,312,432**	**61,004**	**72,953**

Breakdown of trading and investment portfolios		
	2013	2012
Trading portfolio including group companies		
Short-term government securities	196	799
Loans to customers	1,974	2,586
Interest-bearing securities	2,236	2,375
Securitised receivables	983	110
Shares	562	1,308
	5,951	**7,178**
Investment portfolio		
Short-term government securities	1,440	601
Interest-bearing securities	88,623	93,366
Shares	532	177
Loans to customers	7	8
	90,602	**94,152**
Included in the investment portfolios of group companies	53,054	57,319
	37,548	**36,833**
Changes in the investment portfolio		
At 1 January	36,833	36,963
Foreign exchange differences	-	(265)
Acquisitions	39,771	9,737
Disposals	(36,724)	(10,625)
Fair value changes	(1,948)	1,470
Write-down, impairment and reversals	-	-
Other	(384)	(447)
At 31 December	**37,548**	**36,833**
The terms of securities included in the investment portfolio other than group companies are as follows:		
On demand or undated	58	3
≤ 3 months	1,596	1,323
> 3 months ≤ 1 year	1,701	489
> 1 year ≤ 5 years	8,430	2,779
> 5 years	25,763	32,239
	37,548	**36,833**
Investment portfolio through profit or loss including group companies		
Interest-bearing securities	2,911	3,619
Shares	40	-
	2,951	**3,619**

13 Prepayments and accrued income

This item mainly relates to accrued interest.

14 Due to other banks

This item represents amounts owed to credit institutions, other than debt securities and subordinated debt, of which:

	2013	2012
Group companies	20,843	26,203
Other equity interests	121	76
The terms of amounts owed to other banks other than group companies are as follows:		
On demand or undated	5,162	7,716
≤ 3 months	3,040	8,847
> 3 months ≤ 1 year	971	634
> 1 year ≤ 5 years	1,327	1,104
> 5 years	1,016	768
	11,516	**19,069**

15 Due to customers

This item consists of amounts due to customers, other than debt securities. Due to customers also includes investments of central banks amounting to 22 (2012: 20) billion.

	2013	2012
Group companies	17,379	33,314
Other equity interests	674	274

Savings comprise all deposits and savings accounts of natural persons, non-profit-making associations and foundations, as well as non-transferable savings bonds.
The terms of amounts due to customers other than to group companies are as follows:

	2013	2012
On demand or undated	52,453	34,402
≤ 3 months	32,224	47,529
> 3 months ≤ 1 year	2,948	3,903
> 1 year ≤ 5 years	1,519	1,628
> 5 years	5,236	1,977
	94,380	**89,439**

16 Debt securities in issue

This item relates to non-subordinated bonds and other interest-bearing securities, such as certificates of deposit.

	2013	2012
Tradable debt securities	138,752	165,729
Other debt securities	50,918	48,008
	189,670	**213,737**
Of which owed to group companies	-	890
	189,670	**212,847**
The terms of debt securities other than of group companies can be broken down as follows:		
On demand or undated	141	1,532
≤ 3 months	27,314	35,660
> 3 months ≤ 1 year	63,135	56,457
> 1 year ≤ 5 years	63,111	73,580
> 5 years	35,969	45,618
	189,670	**212,847**

17 Other debts

This item includes liabilities that cannot be classified under any other heading, such as short positions in securities and liabilities associated with securitised receivables. Other liabilities also includes liabilities for staff costs, taxes and national insurance contributions. At year-end 2013, over 54 billion in local Rabobank mortgages was securitised.

	2013	2012
This includes:		
Debt securities in issue	53,823	53,391
Current tax liabilities	156	-
Other debt	3,267	2,991
Total other debt	**57,363**	**56,382**

18 Provisions

	2013	2012
Provision for pensions and other post-retirement benefits	166	1,272
Provision for deferred tax liabilities	-	(147)
Other provisions	528	591
Total provisions	**694**	**1,716**

Pension provision

The provision for pensions and other allowances following termination of employment consists of a provision for pensions 9 (2012: 1,159) and other employee benefits 157 (2012: 113).
For Rabobank Group, the net liability for pensions is 66 (2012: 1,173); for Rabobank Nederland, this is 4 (2012: 1,153) (i.e. the balance of the pension provision and the pension claim of 5 (2012: 6). The data included in the consolidated balance sheet and notes to the Rabobank Group's balance sheet on data included for the financial year with respect to this provision are detailed below.

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.

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

The weighted averages of the main actuarial assumptions for the valuation of the pension provision (defined-benefit scheme) as at 31 December are (in % per year):

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

Other provisions

Other provisions concern a restructuring provision, a provision for credit guarantees related to loans, provisions for other risks and guarantees and a provision for ongoing legal claims.

	2013	2012
Changes in other provisions		
At 1 January	591	429
Additions charged to profit	624	66
Withdrawals and release	(661)	(65)
Other changes	(26)	161
At 31 December	**528**	**591**

19 Subordinated debts

This represents the loans relating to the issue of Trust Preferred Securities and subordinated loans.

	2013	2012
Loans relating to the issue of Trust Preferred Securities II	-	1,327
Loans relating to the issue of Trust Preferred Securities III, IV, V and VI	1,835	1,963
Subordinated loans	7,782	4,620
Balance as at 31 December	**9,617**	**7,910**

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 of Delaware, USA, a group company of Rabobank Nederland, issued 1.75 million non-cumulative Trust Preferred Securities. The compensation up to 1 January 2014 was 5.26%. Subsequently this compensation was equal to 3-month USD Libor plus 1.6275%. The total proceeds from this issue were USD 1,750. As of 31 December 2013, these Trust Preferred Securities were redeemed, with the prior written consent of the Dutch Central Bank.

20 Equity

	2013	2012
This item can be broken down as follows:		
Capital	6,002	6,002
Rabobank (Member) Certificates	5,823	6,672
Capital Securities	7,204	7,289
Revaluation reserve and translation differences	(3,118)	(2,147)
Statutory reserve	137	107
Other reserves	1,743	2,438
Profit for the year	1,179	994
Total equity	**18,970**	**21,355**

Capital
This section includes the fully issued and paid-up share capital. All shares have been issued to local Rabobanks.

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 other reserves (see the changes in other reserves).

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

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.

Uitgifte 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 the 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 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 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.

Capital Securities

	2013	2012
Movements were as follows:		
Balance at 1 January	7,289	7,812
Early repayment of Capital Securities	(83)	(522)
Other	(2)	(1)
Balance at 31 December	**7,204**	**7,289**

Revaluation reserve and translation differences

This item represents the differences between the cost and carrying amount of revalued assets, net of the related provision for deferred tax liabilities.

	2013	2012
The revaluation reserve and translation differences can be specified as follows:		
Cash-flow hedges	49	40
Interest-bearing securities	35	167
Equity investments	29	50
Shares and non-interest bearing securities	595	252
Pensions	(3,251)	(2,493)
Total revaluation reserves	**(2,543)**	**(1,984)**
Translation differences	(575)	(163)
Total	**(3,118)**	**(2,147)**
Movements are as follows:		
Balance 1 January	(2,147)	(751)
Currencies	(392)	(244)
Revaluations	(1,881)	(958)
Other	(86)	-
Additions through profit or loss account	1,388	(194)
Balance as at 31 December	**(3,118)**	**(2,147)**

In 2013, Rabobank accounted for an amount of -1,450 (2012: 145) after taxes in its equity as effective changes in the fair value of derivatives in cash-flow hedges. An amount of 1,459 (2012: 7) after tax was reclassified from the cash-flow hedge reserve to the profit or loss account in 2013. The cash-flow hedge reserve in equity at 31 December 2013 was 49 (2012: 40) after tax. This amount fluctuates along with the fair value of the derivatives in the cash-flow hedges and is accounted for in the profit for 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 highest concentrations exceeding 5 years.
During the year, ending on 31 December 2013, Rabobank accounted for a profit of 225 (2012: 228) as a result of the portion of the cash-flow hedges that was classified as ineffective hedges.

Statutory reserves

This is the reserve for retained profits from associates.

	2013	2012
Movements were as follows:		
Balance at 1 January	107	-
From other reserves to statutory reserves	30	107
Balance as at 31 December	**137**	**107**

Other reserves

	2013	2012
Movements were as follows:		
Balance as at 1 January	2,438	2,797
Profit for previous financial year	994	1,122
Third-party compensation	(1,042)	(927)
Dividend – affiliated banks	-	(493)
From other reserves to statutory reserves	(30)	(107)
From other reserves to revaluation reserves	(352)	-
Redemption of Capital Securities	(14)	-
Cost of issue of Rabobank (Member) Certificates	(79)	-
Discounts and premiums relating to Rabobank (Member) Certificates	(133)	-
Other changes	(39)	46
Balance as at 31 December	**1,743**	**2,438**

As a rule, the reserves should not be distributed among the members. The Rabobank consolidated financial statements include the financial data for Rabobank Nederland as well as that for the Members and other group companies

Rabobank Group's net profit was 2,012; the net profit of Rabobank Nederland was 1,179. The difference of 833 represents the profits of local Rabobanks, which were not recognised in the single financial statements or the third-party interests.

The table below shows a reconciliation between the equity of Rabobank Nederland and that of Rabobank Group:

	2013	2012
Equity of Rabobank Nederland under Part 9 of Book 2 of the Dutch Civil Code	18,970	21,355
Capital paid-up by local Rabobanks	(6,002)	(6,002)
A component of the equity of Rabobank Group: Capital Securities issued by Friesland Bank	61	61
A component of the equity of Rabobank Group: Trust Preferred Securities III to VI	1,269	1,340
A component of the equity of Rabobank Group: Other non-controlling interests	1,039	1,407
Equity of local Rabobanks as under Part 9 of Book 2 of the Dutch Civil Code	24,699	23,918
Consolidation and rounding effects	1	1
Total group equity under IFRS, as presented in Rabobank Group financial statements	**40,037**	**42,080**

Management and agency services

Management and agency services provided to third parties attribute to all Rabobank's activities. Rabobank also administers assets, in its own name but for the account and risk of third parties, which are separate from its own assets.

Other notes to the financial statements of Rabobank Nederland

21 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 for a total of 197 in bank tax in 2013 (2012: 196).

22 Professional securities transactions and assets not at the bank's free disposal

Professional securities transactions in which Rabobank Nederland lent securities for use.

	2013	2012
Securities lent for use:		
Due from other banks	21,631	15,605
Loans to customers	10,823	11,633
Total	**32,454**	**27,238**

Professional securities transactions in which Rabobank Nederland lent securities.

	2013	2012
Securities lent:		
Due to other banks	275	329
Due to customers	6,825	7,487
Total	**7,100**	**7,816**

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

		2013	2012
Assets not at the bank's free disposal:	Related to type of liabilities:		
Due from other banks	Derivative financial instruments	9,822	9,505
Loans to customers	Due to customers	6,437	12,524
Interest-bearing securities	Due to customers	12,962	7,996
Total		**29,221**	**30,025**

23 Contingent liabilities

This item relates to transactions in which Rabobank Nederland stands surety for obligations of third parties.

	2013	2012
Contingent liabilities consist of:		
Guarantees, etc.	11,637	16,459
Letters of credit	5,710	5,373
Total contingent liabilities	**17,347**	**21,832**
Of which:		
Contingent liabilities of group companies	4,826	6,016

Liability undertaking

Pursuant to Section 403 of Book 2 of the Dutch Civil Code, Rabobank Nederland has assumed liability for the debts arising from the legal transactions of the following group companies:

- B.V. Bewaarbedrijf Rabobank Nederland
- B.V. Bewaarbedrijf Schretlen & Co. N.V.
- Bodemgoed B.V.
- De Lage Landen America Holdings B.V.
- De Lage Landen Corporate Finance B.V.
- De Lage Landen Facilities B.V.
- De Lage Landen Financial Services B.V.
- De Lage Landen Financiering B.V.
- De Lage Landen Incasso B.V.
- De Lage Landen International B.V.
- De Lage Landen Technology Finance B.V.
- De Lage Landen Trade Finance B.V.
- De Lage Landen US Participations B.V.
- De Lage Landen Vendorlease B.V.
- FGH Bank N.V.
- Friesland Bank Holding N.V.
- Friesland Bank N.V.
- N.V. Handelmaatschappij 'Het Zuiden'
- N.V. Onroerend Goed Maatschappij Gebeka
- Rabo Capital B.V.
- Rabo Cultuur Bank B.V.
- Rabo Financial Products B.V.
- Rabo Groen Bank B.V.
- Rabo Herverzekeringsmaatschappij N.V.
- Rabo Investments B.V.
- Rabo Merchant Bank N.V.
- Rabo Mobiel B.V.
- Rabo Participaties B.V.
- Rabobank International Holding B.V.
- Rabobank Nederland Participatie Maatschappij B.V.
- RI Acquisition Finance Grootbedrijf B.V.
- RI Corporate Finance B.V.
- Schretlen & Co. N.V.

At the request of supervisory authorities, Rabobank Nederland stands surety for the following group companies.

- Rabobank New Zealand Ltd.
- Rabobank Australia Ltd.
- Rabobank Curaçao N.V.

Rabobank Nederland issued liquidity guarantees to ACCBank Plc., Rabo Cultuur Bank B.V., Rabo Groen Bank B.V., Rabobank Ireland Plc. and Rabobank Polska S.A.

Internal liability (cross-guarantee system)

In accordance with the Financial Supervision Act (Wet op het financieel toezicht), 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.

Fiscal unit for corporate income tax purposes

Rabobank Nederland forms a fiscal unit for purposes of corporate income tax with a number of domestic subsidiaries and the member banks. Under the fiscal unit, each participating legal entity is jointly and severally liable for the fiscal unit's corporate income tax liabilities.

24 Irrevocable facilities

This item relates to all irrevocable facilities that could lead to lending.

	2013	2012
Unused credit facilities	32,510	33,853
Other	1,539	3,358
Total irrevocable commitments	**34,049**	**37,211**
Of which group companies	11,476	15,842

25 Employees

The average number of employees was 12,125 (2012: 12,087), of which 2,705 abroad (2012: 2,670). Expressed in FTEs, the average number of employees was 11,898 (2012: 11,907).

	2013	2012
Wages and salaries	1,097	1,080
Social security and insurance costs	94	98

26 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.

27 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.

28 Remuneration of the Supervisory Board and Executive Board

The members of the Supervisory Board and Executive Board are listed in Section 29 of the single financial statements. Rabobank exclusively regards the members of the Executive Board as key management personnel. In 2013, the remuneration of the members and former members of the Executive Board came to a total of 5.8 (2012: 11.5).

In thousands of euros	Total salaries	Pension premiums	Total performance-based bonus	Redemotion 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 on 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 below 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 committe *(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 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 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 %)
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%

At the end of 2013, no loans, advances or guarantees were provided to Supervisory Board members not included in the table. 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	
At 31 December 2013		
A. Bruggink	12,166	
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.)

29 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'.

On behalf of the Executive Board

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

On behalf of the 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

Other information

A. Articles of Association provisions governing members' contributions to shortfalls

If, in the event of Rabobank Nederland's liquidation, whether by court order or otherwise, its assets should prove to be insufficient to meet its liabilities, the members at the time of the liquidation as well as those who ceased to be members in the year prior to the liquidation, shall be liable for the deficit.
In the event that Rabobank Nederland is dissolved on account of its insolvency after it has been declared bankrupt, not only the members at that time but also those who ceased to be members in the year prior to the bankruptcy order or thereafter shall be jointly liable. The amount payable by each member or former member is equivalent to the percentage of his allocation ratio multiplied by the amount of the deficit, with the proviso that former members are subject to the allocation key ruling at the time they retired. If it should prove impossible to recover the share of one or more liable members or former members in the shortfall from them, the remaining members and former members shall be jointly liable in the same proportion for the amount not recovered.
In the event of a liquidation out of court, the inability to recover the share of one or more members or former members in the shortfall from them shall be deemed to exist if the liquidators, subject to the prior approval of the Supervisory Board, should waive the right of recourse because exercising the right would not lead to any recovery.
The amount for which members or former members are liable as referred to above shall never be more than 3% of their latest adopted statement of the financial position totals. Liable former members who contributed to earlier equity deficits shall be allowed to deduct the total amount paid earlier from the amount chargeable to them in the event of Rabobank Nederland's liquidation.
These Articles of Association provisions do not prejudice the obligations of the local Rabobanks of Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. and other entities within Rabobank Group under the intragroup mutual keep well system to make up each others' deficits for the amount of their total assets in the event of a lack of funds to satisfy their creditors, without financial limitation as described in the previous paragraph. The cross-guarantee system is described in more detail in the notes to the statement of the financial position of Rabobank Nederland.

B. Articles of Association provisions governing profit appropriation and proposed profit appropriation of Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank Nederland)

Statutory provisions regarding profit appropriation

Notwithstanding the provisions of Article 18 regarding compensation on equity investments, the profit on shares can be used to pay a dividend to the holders of the shares on the thirty-first of December of the financial year for which the dividend is paid. The dividend is approved by the General Meeting of Shareholders at the proposal of the Executive Board. The remaining portion of the profit will be used by the Executive Board in order to improve the solvency of Rabobank Nederland. A dividend can only be paid to shareholders from the reserves in compliance with the provisions of Article 70. The resolution to approve the dividend, along with the decision for further profit appropriation, is adopted by an absolute majority of the votes validly cast.

During the existence of Rabobank Nederland, the reserves may not be distributed among the members neither in part nor in whole, unless compensation is paid on the Rabobank (Member) Certificates from the reserves. In that case, the General Meeting may resolve, at the proposal of the Executive Board, to make payment to the shareholders from the reserves.
If Rabobank Nederland were to decide at any time to dissolve its operations in order to have its business continued by another legal entity or organisation, these reserves will be transferred to such other legal entity or organisation.

Proposal regarding the appropriation of available profit for Rabobank Nederland

Of the profit of 1,179, a total of 961 is payable to the holders of Capital Securities and Rabobank (Member) Certificates, in accordance with Executive Board resolutions. It was proposed to pay the remaining profit to the shareholders.

Independent auditor's report

To the executive board and supervisory board of Rabobank Nederland

Report on the company financial statements

We have audited the company financial statements 2013 which are part of the financial statements of Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank Nederland), Amsterdam, and comprise the company statement of financial position as at 31 December 2013, the company statement of income for the year then ended and the 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 company financial statements, and for the preparation of the management 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 company 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 company 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 company financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the company financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the company 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 company 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 company 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 company financial statements

In our opinion, the company financial statements give a true and fair view of the financial position of Rabobank Nederland as at 31 December 2013, and of its result for the year then ended in accordance 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

Events after the reporting date

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

61 Events after the reporting date

Colophon

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

About the 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 Cooperatieve 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 the 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 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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