



Rabobank



Annual Report 2011

Rabobank Group

Annual Report 2011

Chairman's foreword	2
Key figures	4
Financial developments	6
Strategy	13
Cooperative identity	16
Cooperative banking in 2011	18
Rabobank Group global presence	25
Broad range of services in the Netherlands	26
Leading food and agri bank at international level	34
High level of creditworthiness: risk management	43
Sound sustainability policy	54
Sustainability profile	54
Dialogue with society	59
Environment and operations	62
Our specialised subsidiaries	64
Asset management	64
Leasing	70
Real estate	75
Employees	81
Corporate governance	87
Dutch Banking Code	94
Management	98
Report of the Supervisory Board of Rabobank Nederland	100
Annual figures	108
Consolidated statement of financial position	108
Consolidated statement of income	110
Consolidated statement of comprehensive income	111
Consolidated statement of changes in equity	112
Consolidated statement of cash flows	113
Condensed business segments	114
Independent auditor's report	115
Executive Board Responsibility Statement	116

The financial information set out on pages 108 to 114 has been derived from the consolidated financial statements 2011 of Rabobank Group, on which an unqualified independent auditor's report was issued on 29 February 2012.

Chairman's foreword

Satisfactory results in uncertain market conditions

The Dutch economy saw limited growth in 2011, and growth is expected to slow down further in 2012. Consumer and business confidence is not expected to recover in the near future. Employment trends are uncertain, additional cuts in government spending are likely, and pension benefits are under pressure. The state of the housing market continues to be worrying. Reforming the Dutch housing market should be a top priority, which could provide a significant boost to the recovery of consumer confidence and a pick-up in economic growth. Rabobank is the Dutch mortgage market leader, and during the year under review it presented an integrated plan for reforming the Dutch market for owner-occupied and rented residential properties.

The cooperative structure and attitude, and the pursuit of sustainable development, constitute the basis of our organisation and put us in a position to withstand difficult economic conditions. We support the initiative of the United Nations to make 2012 the International Year of Cooperatives. In 2012, Rabobank intends to highlight the features of the cooperative more. Now, more than ever, it is important to show how we as a cooperative differ from other business models. The interest of the customer forms the principal starting point for the services we provide in the Netherlands and other countries. They have always been leading, based on Rabobank's cooperative view of establishing ties with our members and customers. We are contributing to more sustainable food chains and, as a partner for the International Year of Cooperatives, we plan to help the UN accomplish its goals: to increase public awareness about cooperatives and to promote the sustainable growth of cooperatives around the world.

From a financial perspective, Rabobank Group had a satisfactory year. Net profit in 2011 amounted to EUR 2.6 billion, which is a satisfying result given the difficult market. The European debt crisis and the failure to find an adequate solution fuelled the persistent turmoil on the financial markets. Consumer and business confidence suffered severely as a consequence, as did mutual confidence between banks. In the harsh economic climate, amounts due to customers increased considerably and the loan portfolio grew, albeit to a limited extent. The downturn in the economic recovery in the second half of 2011 led to a 30% rise in value adjustments. Our 46% equity interest in Swiss private bank Sarasin was sold in the year under review, enabling us to focus even more effectively on our strategic core business. The closing will take place in 2012.

Our financial results are due primarily to the confidence shown by our customers and the efforts made by our 59,670 employees. During the year under review, we continued to simplify our product range. Our mortgages, payment platforms, consumer loan products, savings products and investment products have been made clearer for customers, and in many cases more affordable, too. Thanks to our culture and our approach, Rabobank has always had high levels of customer satisfaction.



Piet Moerland, Chairman of the Executive Board of Rabobank Nederland.

In 2011, Rabobank Group managed to maintain its leading positions in most of its key markets in the Netherlands. Our efforts to become the leading wholesale bank in the Netherlands pay off again in the year under review, in the form of an improved market position. Outside the Netherlands, Rabobank International continued to expand its retail branch network, while the share of food and agri in its portfolio grew further.

As usual, we retained a large portion of our earnings, as a result of which the stability of the bank and the continuity of our services continue to be guaranteed. We performed impressively in the stress test and capital test conducted by the European Banking Authority in 2011. Despite difficult market conditions, we had relatively few problems in meeting our funding requirements at acceptable costs during the year under review.

Notwithstanding a high level of solvency and liquidity, we were forced to say goodbye to an important symbol. Our Triple A rating, of which we were very proud, was adjusted by Standard & Poor's owing to the application of a new method of calculation. However, what really matters is our creditworthiness, and this remains high. We are still the same stable, safe bank and the best-rated privately owned bank in the world according to all rating agencies.

We had to say goodbye to Bert Heemskerk in 2011. His passing meant that Rabobank lost a highly valued former Chairman of the Executive Board, but more than that we lost a prominent banker. Bert Heemskerk symbolised our bank, and he was our outstanding standard bearer for almost seven years, from 2002 until 2009.

The establishment of the European emergency fund and the compulsory recapitalisation of banks should help to tackle the crisis. In 2011, the ECB cut its most important interest rate and introduced a new lending facility, reducing tension on the markets that banks rely on for their funding. While Europe's political and monetary authorities are finally taking measures to bring back stability, it will still take some time before all countries of Europe have their public finances back in good order and confidence has been restored on the financial markets.

The economic outlook is not the only challenge that Rabobank will face in 2012. Just as other banks, Rabobank is also confronted with an increase in rules and regulations, such as the Basel III capital requirements and, most likely, bank tax. These will generally lead to growth in lending coming under pressure in 2012. Our employees will, of course, continue to put all their energy into working for our customers and providing the level of service that they expect from Rabobank.

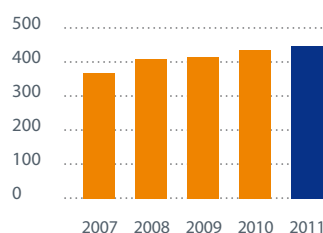
A handwritten signature in black ink, consisting of a stylized 'P' followed by a horizontal line and a small dot.

Piet Moerland, Chairman of the Executive Board of Rabobank Nederland

Key figures

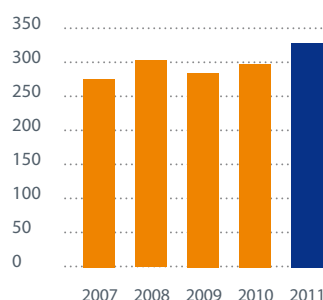
Loan portfolio

in billions of euros



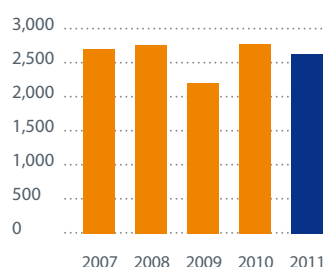
Amounts due to customers

in billions of euros



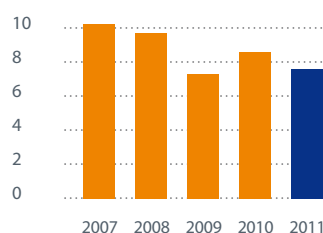
Net profit

in millions of euros



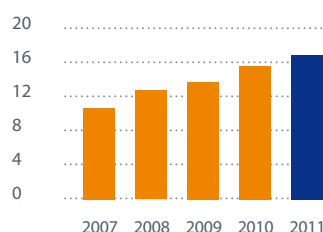
Return on equity

in %



Tier 1 ratio

in %



Amounts in millions of euros

	2011	2010	2009	2008	2007
Volume of services					
Total assets	731,665	652,536	607,483	612,120	570,491
Private sector loan portfolio	448,337	436,292	415,235	408,620	368,709
Amounts due to customers	329,892	298,761	286,338	304,214	276,610
Assets under management and held in custody for clients	263,600	270,400	230,400	183,600	231,800

Financial position and solvency

Equity	45,001	40,757	37,883	33,459	31,409
Tier 1 capital	37,964	34,461	32,152	30,358	28,518
Core tier 1 capital	28,324	27,735	25,579	25,591	24,550
Qualifying capital	39,088	35,734	32,973	30,912	29,190
Risk-weighted assets	223,613	219,568	233,221	238,080	266,573

Profit and loss account

Income	13,378	12,716	12,434	11,652	11,022
Operating expenses	8,720	8,196	8,038	7,611	7,663
Value adjustments	1,606	1,234	1,959	1,189	266
Taxation	425	514	229	98	397
Net profit	2,627	2,772	2,208	2,754	2,696

Ratios

BIS ratio	17.5%	16.3%	14.1%	13.0%	10.9%
Tier 1 ratio	17.0%	15.7%	13.8%	12.7%	10.7%
Core tier 1 ratio	12.7%	12.6%	11.0%	10.7%	9.2%
Equity capital ratio	14.7%	14.2%	12.4%	11.6%	9.5%
Net profit growth	-5.2%	25.5%	-19.8%	2.2%	15.0%
Return on equity	7.6%	8.6%	7.3%	9.7%	10.2%
Efficiency ratio	65.2%	64.5%	64.6%	65.3%	69.5%

Nearby

Local Rabobanks	139	141	147	153	174
Branches	872	911	1,010	1,112	1,159
ATMs	2,949	2,963	3,063	3,097	3,107
Members (x 1,000)	1,862	1,801	1,762	1,707	1,638
Client satisfaction private individuals	7.5	7.6	7.6	7.7	7.5
Foreign places of business	761	682	624	569	349

Market shares (in the Netherlands)

Mortgages	32%	29%	30%	30%	28%
Savings	39%	40%	40%	41%	41%
TIS	42%	42%	41%	39%	38%
Food and agri	83%	84%	84%	84%	84%

Ratings

Standard & Poor's	AA	AAA	AAA	AAA	AAA
Moody's Investor Service	Aaa	Aaa	Aaa	Aaa	Aaa
Fitch	AA	AA+	AA+	AA+	AA+
DBRS	AAA	AAA	AAA	AAA	AAA

Amounts in millions of euros	2011	2010	2009	2008	2007
Personnel data					
Number of employees (in FTEs)	59,670	58,714	59,311	60,568	54,737
Staff costs	5,141	4,919	4,603	4,290	4,400
Employee satisfaction	86%	86%	88%	86%	85%
Absenteeism	3.9%	3.8%	3.7%	3.8%	3.8%
Females employed	53.9%	54.3%	54.8%	55.1%	55.4%
Females in senior positions (≥ scale 8)	25.8%	24.6%	23.2%	22.1%	20.7%
Training expenses	94.7	87.9	86.8	99.9	98.0
Training expenses in EUR per FTE	1,587	1,497	1,464	1,649	1,790
Sustainable assets under management and held in custody					
Total sustainable assets under management and held in custody for clients	17,037	18,885	16,438	11,506	14,024
Rabo Green Bonds (cumulative)	2,236	3,243	3,643	3,622	3,518
Robeco sustainable assets	5,225	6,123	3,992	3,166	5,604
Sarasin sustainable assets	8,785	8,829	8,345	4,363	4,778
Private Banking sustainable assets	214	292	249	187	-
Third party sustainable investment products	577	398	209	168	124
Assets subject to engagement					
Robeco	41,352	43,738	15,400	9,555	15,125
Sarasin	10,796	7,483	4,571	1,069	-
Private Banking	3,138	1,247	126	-	-
Savings					
Green savings	948	425	360	125	106
Fund management					
Capital Public Fund Management	3,087	2,815	2,713	2,700	2,300
Sustainable financing					
Total sustainable financing	6,230	5,678	6,455	6,228	5,188
Green financing	2,361	2,855	3,168	3,373	2,882
Loans with state guarantee	1,193	1,031	1,349	1,222	1,163
Stimulation loans	445	106	489	451	367
Sustainable project finance (excl. Green financing)	783	442	372	313	155
Sustainable mortgages (Climate mortgages and mortgages for starting home owners)*	806	654	565	482	227
Supporting local communities					
Rabobank Foundation (The Netherlands and abroad)**	15.7	21.7	18.7	11.3	7.1
Project Funds	1.1	0.9	0.8	3.7	1.1
Cooperative dividend (local Rabobanks)	37.0	28.3	25.8	20.4	20.3
Donations Rabobank Netherlands and other Group entities	5.2	4.2	3.3	3.8	-
Emissions and climate footprint					
CO ₂ -emissions attributable to business (x 1,000 ton CO ₂)	164	170	180	183	176
CO ₂ -emissions per FTE (tonnes CO ₂)***	2.5	2.7	2.9	3.1	3.1

* In 2011 the monitoring of sustainable mortgages was revised so that the figure of 2011 is not fully comparable with previous years.

** The local Rabobanks contribute to the Rabobank Foundation included the cooperative dividend. This contribution is not correctly presented in previous reporting years, since the contribution from the local Rabobanks was included as income for the Rabobank Foundation. To avoid double counting in the total the contribution from the local Rabobanks to the Rabobank Foundation is excluded. Figures for previous years were adjusted accordingly.

*** CO₂-emissions per FTE (tonnes CO₂) are calculated based on both internal FTE's (59,670) and external FTE's (6,234).

Financial developments

Satisfactory results despite economic adversity

The international debt crisis caused an increase in uncertainty among consumers and producers, culminating, in the second half of 2011, into an abrupt end to the moderate economic recovery that had been seen in the Netherlands in the first half of the year. As a result, Rabobank Group's private sector loan portfolio rose by a mere 3% in 2011, landing at EUR 448.3 billion. Several customer groups experienced difficulties, judging from the increase in bad debt costs. The marked 10% rise in amounts due to customers to EUR 329.9 billion demonstrated that customers were looking for a robust bank to entrust their money. Net profit stood at EUR 2,627 (2,772) million, a 5% decrease. Return on equity landed at 7.6%. The Tier 1 ratio was up 1.3 percentage points, reaching 17.0%, thanks to retained earnings and the issue of hybrid capital. Operating expenses rose slightly more than operating income in relative terms, resulting in a deterioration of the efficiency ratio to 65.2%. RAROC was down 0.7 percentage points to 11.8%.

Financial targets at group level

Rabobank Group has three long-term financial targets: a Tier 1 ratio of 12.5% or more, an increase in net profit by at least 10%, and a return on equity of no less than 8%. The Tier 1 ratio is the ratio of Tier 1 capital to risk-weighted assets. Retained earnings and the issue of hybrid capital contributed to the rise in Tier 1 capital by EUR 3.5 billion to EUR 38.0 (34.5¹) billion. Risk-weighted assets were up EUR 4.0 billion, rising to EUR 223.6 (219.6) billion. As a result, the Tier 1 ratio rose by 1.3 percentage points to 17.0% (15.7%) in the year under review, amply above the target of 12.5%. Rabobank Group's net profit for 2011 amounted to EUR 2,627 (2,772) million, with profit for the first half of the year still exceeding that for the first half of 2010. Considerably lower profits for the second half of 2011 weighed down the overall financial results for 2011 compared to those for 2010. Return on equity stood at 7.6% (8.6%), falling short of the minimum target of 8% by 0.4%. Driven by Basel III, a bank's capital strength is increasingly being measured by its core Tier 1 ratio, i.e. Tier 1 capital exclusive of hybrid equity instruments as a ratio of risk-weighted assets. Rabobank Group's core Tier 1 ratio stood at 12.7% (12.6%) at year-end 2011.

A new Standard & Poor's rating

Rating agency Standard & Poor's adjusted Rabobank's credit rating from AAA to AA at year-end 2011. Standard & Poor's uses a new methodology for calculating its bank ratings, which incorporates experiences gained during the crisis. This has resulted in an AA rating. Standard & Poor's still qualifies this profile as representing stability, a low risk profile and high credit worthiness. Based on the new Standard & Poor's methodology, Rabobank is the world's best-rated privately owned bank. Fitch Ratings adjusted Rabobank's rating from AA+ to AA. This was driven by the adverse economic climate in Europe. The new rating reflects the challenging market for banks in Europe. Moody's and DBRS maintained their ratings of Aaa and AAA respectively. All four rating agencies have awarded Rabobank the highest rating of all private banks in the world.

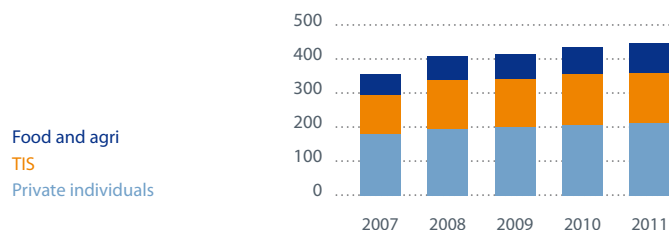
¹ For page 6 to 107 the amounts in brackets () are the comparative figures. Where income is concerned, these are the figures for 2010; where the statement of financial position is concerned, these are the figures at year-end 2010. Some comparative figures have been restated to reflect the insights gained since their preparation.

Global Finance Magazine, a US publication, has named Rabobank one of the six safest banks in the world, considering our capital strength and long-term ratings by agencies such as Moody's, Standard & Poor's and Fitch Ratings.

Moderate growth in loan portfolio

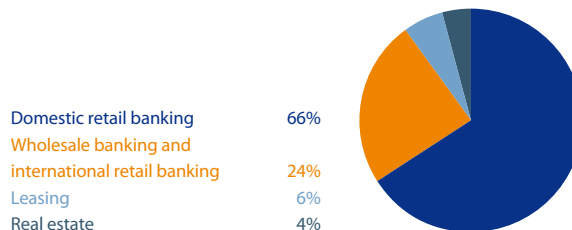
Loan portfolio by sector

in billions of euros



Loan portfolio by group entity

at year-end 2011



Economic recovery ground to a halt half-way through 2011 because it was uncertain whether a number of European governments would still have the capacity to meet their debt obligations. This again suppressed consumer confidence, which had not been very strong to begin with, and affected the manufacturing industry as well. Compounded by the levelling off of world trade and lagging government spending, Dutch economic growth slowed down in the second half of 2011. Most other countries where Rabobank operates also suffered from slower growth and a poorer outlook. In these difficult circumstances, Rabobank Group's loan portfolio rose by no more than 3%, landing at EUR 448.3 (436.3) billion. The underlying trend showed 3% growth in the local Rabobanks' and Obvion's loan portfolio and 8% in that of Rabobank International. The loan portfolio at De Lage Landen and FGH Bank saw further increases as well.

Loan portfolio TIS by industry

at year-end 2011



Loan portfolio food and agri by industry

at year-end 2011



Of private sector lending, 47% was made up of loans to private individuals, 33% of loans to the trade, industry and services (TIS) sector, and 20% of loans to the food and agri sector. Loans to private individuals were up 2% to EUR 212.3 (208.0) billion. This portfolio is made up virtually entirely of residential mortgages. The Dutch new mortgage business contracted to a limited extent in 2011. At EUR 147.9 (147.7) billion, the TIS portfolio was virtually stable at group level. The focus that Rabobank International and De Lage Landen place on the food and agri sector resulted in a 9% increase in loans to this sector to EUR 88.2 (80.6) billion, of which EUR 59.9 (55.6) billion was issued to the primary agricultural sector.

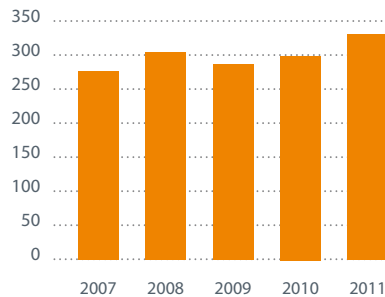
Of private sector loans, 74% were issued in the Netherlands, 12% in America, 9% in European countries other than the Netherlands, 4% in Australia and New Zealand, and 1% elsewhere. The slight increase in lending in America was due, in part, to the appreciation of the US dollar by 3%.

Marked rise in amounts due to customers

Rabobank Group's amounts due to customers were up 10% in 2011, rising to EUR 329.9 (298.8) billion thanks, in part, to market turmoil. Rabobank is considered to be a safe haven. Rabobank International posted the highest increase; its amounts due to customers increased by EUR 33.1 billion to EUR 121.4 billion. Domestic retail banking saw its amounts due to customers rise by EUR 7.3 billion to EUR 200.1 billion, while the asset management business suffered a EUR 9.5 billion drop in amounts due to customers to EUR 7.2 billion because of the sale of Sarasin.

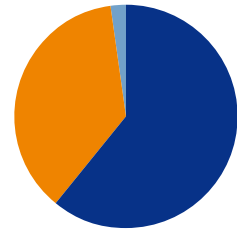
Amounts due to customers

in billions of euros



Amounts due to customers by group entity

at year-end 2011

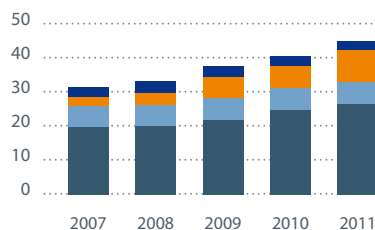


Amounts due to customers were made up mainly of savings deposits by private individuals, which were up 7% in 2011, rising to EUR 140.0 (130.9) billion. Of these savings deposits, 83% were generated by domestic retail banking, 14% by international retail banking, and 3% by the asset management business. The increase in savings deposits was fuelled, in part, by the success of the international Direct Banking business, which yielded a 41% rise in savings deposits to EUR 16.4 (11.6) billion. The largest increase was posted in Poland. Our foreign Direct Banks served 472,000 (362,000) customers in total.

Equity

in billions of euros

Other non-controlling interests
Hybrid capital
Rabo Member Certificates
Reserves and retained earnings



Further increase in equity

Rabobank Group's equity was up 10% in 2011, rising to EUR 45.0 (40.8) billion, which was partly attributable to retained earnings and the issue of hybrid capital. We raised a total of USD 4 billion in hybrid capital in 2011. The conversion of old Rabobank Member Certificates into new ones entailed a partial cash payment. Investors were given the option to reinvest that payment in to be issued Rabobank Member Certificates. The conversion caused equity to drop by EUR 0.2 billion. Rabobank Nederland converted 25% of the original

nominal value of Rabo Extra Member Certificates into Rabobank Member Certificates, propelling a EUR 0.2 billion increase in equity. Of equity, 59% is comprised of retained earnings and other reserves, 15% of Rabobank Member Certificates, 20% of hybrid capital and 6% of other non-controlling interests.

Regulatory capital

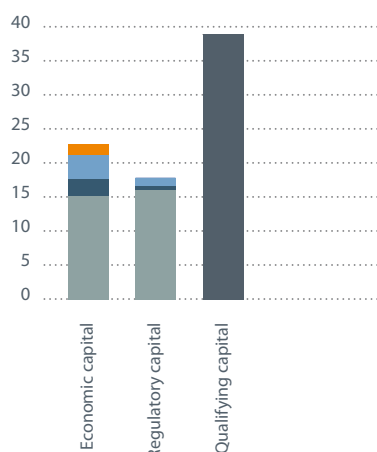
Rabobank Group's regulatory capital stood at EUR 17.9 (17.6) billion at year-end 2011.

The increase in the regulatory capital for market risk was due mainly to Capital Requirements Directive (CRD) III. The solvency requirement for credit risk rose because of the increase in lending and fell due to the sale of Sarasin. The result was that the solvency requirement stayed more or less the same. Of the total capital requirement, 89% relates to credit and transfer risk, 8% to operational risk and 3% to market risk.

Capital requirements

in billions of euros

Other risks
Operational and business risk
Interest rate and market risk
Credit and transfer risk



Rabobank Group uses the Advanced Internal Ratings Based Approach, which has been approved by the Dutch Central Bank, to calculate the regulatory capital for credit risk for virtually the entire loan portfolio. The standard approach is still being applied, in dialogue with the Dutch Central Bank, to portfolios with relatively limited exposure and to a few smaller foreign portfolios that are not subject to the Advanced Internal Rating Approach. Operational risk is measured using the regulator-approved internal model based on the Advanced Measurement Approach. Where market risk is concerned, Rabobank has been granted permission to calculate the general and specific position risk using its own internal Value-at-Risk (VaR) models, based on the rules of CAD (Capital Adequacy Directive) II. New risk weights have been implemented for securitisation exposures. In addition, new internal models have been developed and implemented for counterparty credit risk, Stressed VaR and Incremental Risk Charge.

Economic capital

	RAROC ²		Economic capital (in billions of euros)	
	2011	2010	31-Dec-11	31-Dec-10
Domestic retail banking	24.0%	23.8%	7.2	8.1
Wholesale banking and international retail banking	10.3%	10.1%	8.8	7.4
Asset management	7.4%	21.4%	0.3	0.8
Leasing	25.4%	18.3%	1.3	1.1
Real estate	2.4%	2.6%	1.7	1.6
Other (including associates)	-12.5%	-7.6%	3.6	3.2
Rabobank Group	11.8%	12.5%	22.8	22.3

Over and above the regulatory capital, Rabobank Group uses an internal capital requirement based on an economic capital framework. The key difference with the regulatory capital is that all material risks and Rabobank's credit rating are taken into account. Rabobank applies a higher confidence level for economic capital (99.99%) than dictated by the regulatory capital (99.90%). A broad spectrum of risks is measured consistently to gain a more complete understanding of risks and to allow a more rational weighing of risk and return. A series of models has been developed to weigh the risks incurred by Rabobank Group. These are credit, transfer, operational, business, interest rate and market risk. Market risk breaks down into trading book, private equity, currency, property and residual value risk. A separate risk model is used for the participation in Achmea.

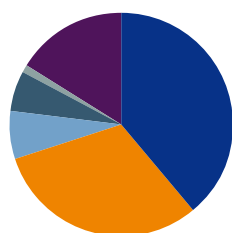
2 The RAROC ratio was calculated by relating net profit to the average economic capital for the year.

Economic capital by group entity

at year-end 2011

Wholesale banking and international retail banking
Domestic retail banking
Real estate
Leasing
Asset management
Other

38%
32%
7%
6%
1%
16%

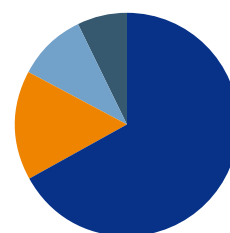


Economic capital by category

at year-end 2011

Credit and transfer risk
Operational risk and business risk
Interest rate and market risk
Other risks

67%
16%
10%
7%



Economic capital rose to EUR 22.8 (22.3) billion in 2011. The interest rate risk was lower as a result of our interest rate risk policy that entailed a significant drop in net interest rate positions. This drop was cancelled out by an increase in credit risk due to developments in exchange rates and growth in lending at wholesale banking and international retail banking. There was also an increase in market risk. Rabobank developed a new market risk model that is in keeping with the regulatory capital methodology dictated by CRD III.

Total economic capital was well below the available qualifying capital of EUR 39.1 (35.7) billion that is being held to cover any potential losses. This sizeable buffer underscores the solidity of Rabobank Group.

Financial reporting controls

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

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

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

Internal controls

Rabobank Group uses internal controls to provide reasonable assurance that:

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

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

Financial results of Rabobank Group

Results (in millions of euros)			
	2011	2010	Change
Interest	9,229	8,614	7%
Commission	2,981	2,831	5%
Other results	1,168	1,271	-8%
Total income	13,378	12,716	5%
Staff costs	5,141	4,919	5%
Other administrative expenses	3,001	2,706	11%
Depreciation and amortisation	578	571	1%
Total operating expenses	8,720	8,196	6%
Gross profit	4,658	4,520	3%
Value adjustments	1,606	1,234	30%
Operating profit before taxation	3,052	3,286	-7%
Taxation	425	514	-17%
Net profit	2,627	2,772	-5%
Bad debt costs (in basis point)	37	29	28%
Ratios			
Efficiency ratio	65.2%	64.5%	
Return on equity	7.6%	8.6%	
RAROC	11.8%	12.5%	
Balance sheet (in billions of euros)			
	31-Dec-11	31-Dec-10	
Total assets	731.7	652.5	12%
Private sector loan portfolio	448.3	436.3	3%
Amounts due to customers	329.9	298.8	10%
Capital requirements (in billions of euros)			
Regulatory capital	17.9	17.6	2%
Economic capital	22.8	22.3	2%
Qualifying capital	39.1	35.7	10%
Capital ratios			
Tier 1 ratio	17.0%	15.7%	
Core tier 1 ratio	12.7%	12.6%	
Number of employees (in FTEs)	59,670	58,714	2%

Notes to financial results of Rabobank Group

Income up 5%

Rabobank Group's total income was up 5%, rising to EUR 13,378 (12,716) million, despite the economic downturn. In 2011, 62% (61%) of Rabobank Group's total income was generated in the Netherlands. An increase in lending and higher margins at De Lage Landen and FGH Bank fuelled a 7% rise in interest income to EUR 9,229 (8,614) million. Margins on savings were under pressure at the local Rabobanks. Commission income at group level was up 5%, growing to EUR 2,981 (2,831) million, as commissions on payment transactions and loans increased. While other income soared in the first half of 2011 because of a steepening yield curve, the curve levelled off again in the second half of the year, eliminating this positive effect entirely. Impairments on land suffered by the real estate business and lower income from the equity interest in Achmea drove the 8% drop in other income to EUR 1,168 (1,271) million.

Operating expenses up 6%

Rabobank Group's operating expenses were up 6% in 2011, rising to EUR 8,720 (8,196) million. Staff costs grew by 5% to EUR 5,141 (4,919) million due to a larger employee base, periodic salary increases and higher pension costs. There was a 2% increase in employee base to 59,670 (58,714) FTEs at group level. Fuelled by higher other administrative expenses at almost all entities, other administrative expenses rose by 11%, landing at EUR 3,001 (2,706) million. Amortisation charges on self-developed software were up, which caused an increase in depreciation and amortisation charges to EUR 578 (571) million.

Bad debt costs at 37 basis points

Rabobank Group saw its bad debt costs increase in 2011 as a result of the economic adversity. Various customer groups hit a rough patch in the second half of the year in particular. The continuing poor property market conditions fuelled a rise in bad debt costs in the real estate business. Rabobank International's bad debt costs remained high because of sustained losses suffered by Irish-based ACCBank due to the weak economy and property market. The local Rabobanks were forced to form additional provisions for greenhouse horticulture in 2011 as a result of the EHEC crisis. All in all, value adjustments were up 30% at group level, rising to EUR 1,606 (1,234) million. At 37 (29) basis points of average lending, bad debt costs were 13 basis points above the long-term average of 24.

Net profit at EUR 2,627 million

Rabobank Group's net profit fell by 5%, dropping to EUR 2,627 (2,772) million. This is EUR 404 (256) below the combined net profit of the commercial group entities. The discrepancy represents a net loss on hedge accounting, the equity interest in Achmea, the costs incurred by the central management department and changes in the measurement of Rabobank's structured notes. The tax expense was EUR 425 (514) million, which corresponds to an effective tax rate of 13.9% (15.6%). Net of non-controlling interests, payments on Rabobank Member Certificates and hybrid equity instruments, a profit of EUR 1,549 (1,846) million remains. The decrease was caused by lower net profit and a higher amount in hybrid capital issued. This amount was used to further bolster Rabobank Group's capital position.

RAROC down 0.7 percentage points

Risk Adjusted Return On Capital (RAROC) is used as a measure whereby returns are consistently weighed against risk. The RAROC ratio is used also for pricing at transaction level and in the loan approval process. Due to a decline in net profit compared to 2010 and an increase in economic capital, RAROC after taxes landed at 11.8% (12.5%), a 0.7 percentage-point drop on 2010.

Outlook Rabobank Group

Because of the weak economy, we foresee little growth in assets. What is more, the effects of the battle for savings deposits will continue to make themselves felt. Savings deposits are a sought-after source of funding. Margins on savings deposits will remain under pressure, one of the reasons being that lenders are covered by the Dutch deposit guarantee scheme. The exact impact of the bank tax is still unclear. Combined with increasing regulatory pressures, the outlook for 2012 and 2013 is not particularly promising. This will force Rabobank to make clear-out choices, which will be explained and documented in the new Strategic Framework that will be defined in 2012.

Rabobank Group's objectives and strategy for the period 2009-2012 are set out in the current Strategic Framework. The strategy for the period 2013-2016 was outlined in 2011. The new strategic framework will take account of a reorientation that reflects the great changes that have taken place in the banking scene in recent years and the new economic reality.

Strategic starting points, objectives and targets

Founded in 1898, Rabobank Group has grown into the leading service provider in the Netherlands and one of the top international food and agri banks it is today. In its current Strategic Framework, Rabobank Group applies the following strategic starting points.

Cooperative identity

Rabobank is, and will continue to be, a cooperative that puts the client's interests first. Its structure and procedures set it apart from its competitors. Members exercise influence and control, imposing discipline on the cooperative. As part of its commitment to society, Rabobank endeavours to play a connecting role within the communities and markets in which it operates. It wants to make an active contribution in order to improve the quality of society. To this end, the bank provides financial resources and makes knowledge, media, networks and its employees available.

Broad range of services in the Netherlands

Rabobank Group offers a full range of financial products and services. This diversification within the group promotes financial stability. The wide range of knowledge and expertise available leads to innovation benefits and synergies. Market leadership continues to be important to Rabobank Group. To be able to keep fulfilling the cooperative's mission in future, the bank needs to be mindful of the profitability of its services.

Leading food and agri bank at international level

Rabobank wants to continue to be an independent player of stature in order to preserve its identity as a cooperative. Food and agri is a natural basis for further growth because of Rabobank's leading knowledge position in this area, which follows on logically from its agricultural origins. Rabobank Group also wants to be a global trendsetter in the fields of renewable energy and clean technology, partly with a view to supporting sustainable economic development.

High level of creditworthiness: risk management

Being creditworthy is vital given the current economic developments. Rabobank's high level of creditworthiness gives it access to finance at relatively low cost. In order to maintain this special position, solid balance sheet ratios, healthy profitability and high Tier 1 and core Tier 1 ratios are required. Although several rating agencies downgraded Rabobank during the year under review, they still consider it to be a strong, stable bank with a low risk profile and a high level of creditworthiness.

Sound CSR policy

Rabobank wants to make an economic, social and ecological contribution to building a sustainable society. It therefore sets high standards in the areas of the environment, society and governance with regard to its services and its policy on responsible banking. Clients need to be able to see that the services they receive are responsible and transparent.

Financial targets

The current strategic core objectives are to become the market leader in the Netherlands, to build on Rabobank's position as the world's leading international food and agri bank, and to achieve further growth at, and greater synergy with, subsidiaries of Rabobank Group. An adequate Tier 1 ratio and stable profit growth are necessary in order to maintain a high level of creditworthiness. Given this, Rabobank Group has formulated the following long-term financial targets:

- a Tier 1 ratio of at least 12.5%³;
- a minimum return on equity of 8%;
- 10% net profit growth annually.

The Tier 1 ratio rose to 17.0% in the year under review, and return on equity stood at 7.6%. Net profit was down 5% compared with 2010.

When updating its strategy for the period up to the end of 2012, Rabobank made the following decisions:

Greater focus on funding

Given the change in market conditions and the stricter capital and liquidity requirements under Basel III, Rabobank Group has decided to place even greater emphasis on sound balance sheet ratios. Any increase in lending is largely dependent on growth in amounts due to customers. It is important that the local Rabobanks, Rabobank International and the subsidiaries arrange a significant portion of their funding themselves. One way of working out whether balance sheet ratios are sound is to calculate the loan-to-deposit ratio (the ratio of credit loans to amounts due to customers). This ratio improved at group level in 2011 thanks to moderate growth in lending in combination with a sharp rise in amounts due to customers.

Greater emphasis on corporate market

With regard to the Netherlands, Rabobank wants to be the leading bank across the entire spectrum of businesses. A strong position on the corporate market creates added opportunities for providing services to business owners in a private capacity. In addition, Rabobank wants to achieve further growth in the private banking segment by means of differentiation in customer services, partnerships with subsidiaries and providing better advice. At an international level, Rabobank wants to offer the best possible services to its major Dutch clients through its extensive network. Rabobank's image in the corporate market was boosted by an extensive campaign in 2011. Activities that were started in recent years paid off, making Rabobank the leader in this market.

Better customer service at lower cost

Rabobank wants to continue to grow and develop as a cooperative. The rationale behind Rabobank is the same as its primary objective: to help customers achieve their ambitions. The client service model has been further adapted in order to enable the local Rabobanks to respond effectively to the changing needs of clients. During the year under review, the range of services offered through direct channels was extended to enable customers to obtain services at a selected time and place.

Focus on food and agri at international level

Rabobank International will focus more on the core activities of Rabobank Group. In the Netherlands, this means supporting the Group's ambition to become the biggest and most important business bank in the country. Elsewhere, Rabobank International will continue to focus on the food and agri sector. Rabobank has been the market leader in the Dutch agricultural sector for many years, and it continued to hold a high market share in 2011.

³ The actual target for the Tier 1 ratio is higher than the formal target, owing in part to developments relating to Basel III.

Greater focus at subsidiaries

The subsidiaries will also focus increasingly on helping Rabobank Group achieve its core objectives, specifically becoming the Dutch market leader and developing its profile as the leading food and agri bank. Making full use of specialist areas of expertise and achieving healthy returns are other important roles that will continue to be fulfilled by subsidiaries and associates. In 2011, Rabobank sold its equity interest in the Swiss bank Sarasin. Thanks to this sale, Rabobank is now in a position to concentrate more on its core business.

Employees make the difference

In order to achieve its strategic ambitions, Rabobank Group needs talented, healthy and committed employees. Based on the belief that the skills and competences of employees are what make the difference for a business, Rabobank makes group-wide investments in training and developing its workforce. According to various surveys, Rabobank is the Dutch employer of choice, a status that reflects how much current and potential employees appreciate such investments.

Outline of Strategic Framework for 2013-2016

The playing field in which Rabobank operates has changed radically in recent times, partly as a result of the debt crisis. There have also been many legislative and regulatory changes. Under Basel III, stricter criteria have been set for capital and liquidity to ensure banks are better able to withstand financial shocks and make the financial system more stable. The rapid growth seen at Rabobank over the past decade will slow down. Furthermore, fuelled by Basel III and turmoil on the markets, competition on the savings market has increased and savings margins have come under pressure.

The Strategic Framework for the period 2013-2016 makes allowance for this new economic reality. The starting point for this new framework will be sustainable banking and selective growth. The strategy still focuses on the fact that Rabobank exists for the benefit of its customers and members. The way in which Rabobank is to carry on serving these groups in a sustainable way, including in the near future, needs to be determined. The new framework must provide clarity concerning themes that are important to Rabobank, such as the interests of customers, sustainability, being perceived as an appealing employer, improving the position of banks within society, and creating synergy by bringing the group entities closer together. The cooperative structure is resilient and progressive, and the cooperative structure forms a cornerstone of Rabobank's identity and approach. The details of the new Strategic Framework will be set out in more concrete terms in the course of 2012.

Cooperative identity

Mission and aspired role of Rabobank Group

Taking its cooperative basis as a starting point, Rabobank Group puts the common interests of people and communities first. Based on its commitment to those interests, Rabobank Group aims to be a driving, innovating force that contributes to the sustainable development of prosperity and well-being. Our goal is to help people and communities achieve their current and future ambitions. Supplying the best possible financial solutions and strengthening mutual collaboration are the means to achieve that end. As part of this mission, Rabobank Group wants to be the most customer-oriented and innovative financial institution in the Netherlands. At an international level, Rabobank Group aspires to be the best food and agribusiness bank, with a strong presence in the world's major food and agriculture countries. To this end, Rabobank Group harnesses the knowledge and experience it has accumulated in the Netherlands and many other countries over the years. Rabobank Group also wants to achieve global excellence in sustainable banking, as befits a bank with its identity and position in society.

Cooperative goals

The cooperative structure means specifically that Rabobank Group's first and foremost duty is to serve the interests of its customers by:

- providing those financial services considered best and most appropriate by our customers;
- ensuring continuity in services with a view to protecting the long-term interests of our customers; and
- showing commitment to our customers and their environment, so that we can help them achieve their ambitions.

Cooperative structure

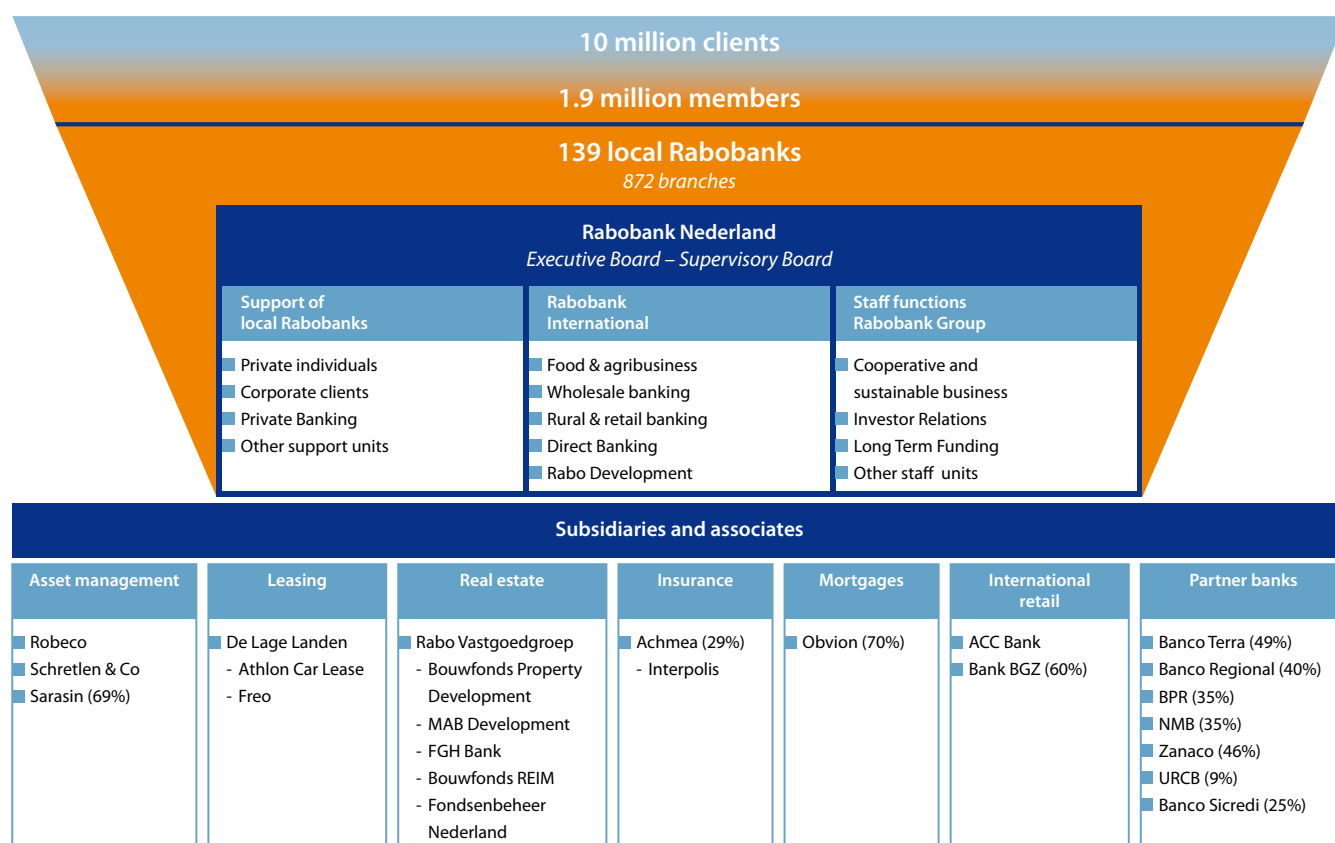
Rabobank's cooperative structure and local ties have set it apart for over 110 years. The 139 local Rabobanks and their more than 7.6 million customers, including their 1.9 million members, form the heart of the cooperative. The local Rabobanks, for their part, are members and shareholders of Rabobank Nederland, the umbrella cooperative that advises the branches and supports their local services. The structure of Rabobank Group is typified by strong mutual relationships originating in its cooperative roots, even though the subsidiaries and associates are not structured as cooperatives themselves.

Pursuant to the Dutch Financial Supervision Act, Rabobank Nederland monitors aspects such as operations, solvency, liquidity and outsourcing at the local Rabobanks. In addition, Rabobank Nederland acts as the holding company of a number of specialist Dutch and foreign subsidiaries. Rabobank Nederland has an employee base of about 6,800 FTEs.

Including foreign subsidiaries, Rabobank International has an employee base of some 15,800 FTEs. Rabo Development supports the advancement of a banking infrastructure in seven countries, which include developing countries, by taking non-controlling interests in rural banks and offering them expertise and human capital. Rabobank Foundation helps vulnerable and underprivileged groups in and outside the Netherlands to participate in society by contributing funds, human resources and knowledge.

Rabobank Group Organisation chart

Situation at 31 December 2011



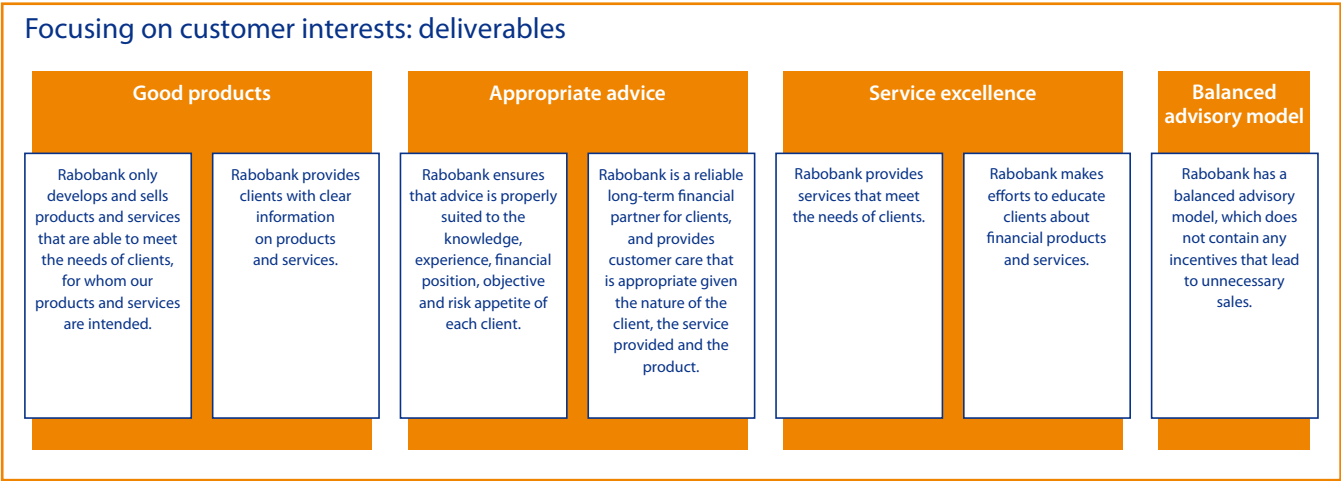
Cooperative banking in 2011

Rabobank’s cooperative identity is reflected in its approach towards clients, society, the future, other organisations and Rabobank employees. Four clear cooperative beliefs reflect the ties and connections that are of significance to Rabobank’s customers.

Connecting with customers

Focusing on customer interests

Customer interests form the principal starting point for the services that we provide. It is Rabobank’s ambition to provide customers with the best possible service, putting their interests first. They have always come first. This is down to Rabobank’s cooperative structure, which encourages us to commit ourselves to our customers. In the cooperative model, local Rabobanks are directly accountable to customers through the Member Councils. This is a key way of ensuring that Rabobank focuses on the interests of customers in its operations. To underline its ambition, Rabobank launched Customer Care, an internal programme, in 2008. In 2010, Rabobank formulated four key deliverables. These deliverables are: good products, suitable advice, service excellence, and a balanced advisory model. Rabobank has formulated policy principles for each of these deliverables.



Rabobank uses performance indicators so that these key deliverables and policy principles can be measured where possible and embedded in its control information. In this context, continuous customer feedback on the deliverables forms an important source of information for the purpose of monitoring and making adjustments. During the year under review, these indicators were reported for the first time, for the period covering the first half of the year. The indicators and their reporting will be developed further in 2012 to ensure that customer-focused management becomes an integrated part of the decision-making process and the management of the organisation.

During the year under review, a number of improvements, based in part on the Customer Focus performance indicators, were made to further increase the focus on the interests of customers.

Good products

Rabobank has continued to simplify its range of products, including mortgages, payment platforms, consumer loan and savings products, and investment products. This has made the product range more transparent for customers, and many products have become more affordable, too.

Rabobank pays a great deal of attention to simplifying the language used in its product information, proposals and terms and conditions, so that the contents are clear and easy-to-understand for all customers. Mortgage proposals were fully rewritten, for instance, during the year under review. In addition, Rabobank makes improvements to the information and texts on its website on an ongoing basis in order to provide clients with clear, comprehensive and accurate information.

Rabobank has had a product approval committee since 2004. During the year under review, the system of standards used by the committee in its reviews was revised and tightened up further. The committee checks the quality of products and assesses whether the information received by clients is easy-to-understand, balanced and complete. It also monitors whether products and services reflect the needs of clients. Rabobank examines the existing product offering periodically to determine whether it still meets current requirements. Needless to say, this process also takes customer feedback and complaints into account. Whenever Rabobank reviews a product in this way, the product information is always reworded in simple Dutch.

Suitable advice

Rabobank aims to establish mutually loyal relationships with customers, offering the best financial solutions and services for each stage of the customer's life or the enterprise's lifecycle. In doing so, Rabobank helps consumers achieve their financial goals and businesses achieve success. The focus is therefore shifting from product-oriented to customer-oriented advice. The objective is to be able to provide the customer with integrated advice and to discuss his or her overall situation, both on a periodic basis and in special situations.

Rabobank Nederland and the local Rabobanks invested a great deal in improving the quality of mortgage services in 2011, stressing the provision of suitable advice. Besides training advisers and managers, and streamlining processes and checks, efforts were put into improving the systems used by advisers. Attention was also paid to continuing the process of assuring customer integrity. Rabobank only wants to do business with customers that we know, whose intentions are honourable and whose risks are acceptable.

Service excellence

The use of new media and virtual contacts is becoming more and more popular among consumers. Customers use all kinds of communication channels to contact Rabobank. During the year under review, Rabobank conducted extensive customer research in order to ensure that it can provide the best possible customer support going forward, irrespective of the channel the client chooses, for example when a mortgage is taken out. In future, it will be possible for direct contact with an adviser at a branch to be combined with contact through virtual channels if the client wishes so. The prime consideration will at all times remain the provision of personal mortgage advice that suits the customer's needs.

Rabobank wants to be accessible to all client groups, including clients with a disability. This is part of the service Rabobank offers. To this end, it is continuing to work on making services and branches more accessible to all clients.

During the year under review, Rabobank made a start on implementing a new integrated complaints management policy. As part of this, Rabobank Nederland and the local Rabobanks made additional improvements to the complaints handling procedure at various levels,

including the management of improvements following the receipt of complaints. Rabobank attaches great value to complaints received from clients. It goes without saying that Rabobank makes every effort to deal with individual complaints appropriately. In addition, complaints at a local and a central level contain important information for managing improvements to services. The implementation of this system will continue in 2012.

Balanced advisory model

With regard to charges and fees for customer services, Rabobank aims to charge amounts that are appropriate for the service provided. Within this scope, we worked on a new earnings model for investment services during the year under review, which is still under development. It will lead to some new, simpler pricing structures for clients, which will enable them to have more direct insight into the elements they pay for in respect of securities services. The Dutch Minister of Finance plans to introduce a prohibition on commissions for complex financial products with effect from 1 January 2013. This prohibition is set to achieve a separation of the advisory market and the product market. Rabobank is also making preparations for the introduction of this new legislation.

The employees of the local Rabobanks and Rabobank Nederland aim to provide top-quality, well-considered services. The performance targets agreed with them are balanced, and the performance management system used means that variable pay is restrained. Customer focus is a core competency on which employees have always been judged. It is also an important criterion applied by Rabobank in its recruitment policy. This begins at the level of communication with the labour market. The induction programmes for new employees also pay plenty of attention to Rabobank's core values of respect, integrity, professionalism and sustainability.

All these aspects ensure that Rabobank's corporate culture is one that actually focuses on the customer. In turn, this culture and approach ensure that Rabobank consistently has a high level of customer satisfaction, as demonstrated by internal and external research findings. During the year under review, the customer satisfaction score among primary private individuals, who consider Rabobank their primary bank, was 7.5 (7.6).

Primary Rabobank clients

	Private individuals	Private Banking	Average for entire retail market	Corporate market
Proportion of customers satisfied/very satisfied with Rabobank	83%	82%	83%	82%

Owing to current social and economic circumstances, the legislator and the regulator increasingly expect financial institutions to put the interests of clients first. Central Focus on Client Interests is one of the regulatory themes of the Netherlands Authority for the Financial Markets (AFM). The AFM uses a dashboard for reporting its findings in this area, at product level and at other levels, to financial institutions. Rabobank accepts that this dashboard is a valuable frame of reference and guideline for the future. Starting in 2012, it will use the dashboard to make additional improvements aimed at ensuring that Rabobank's services focus on the interests of the customer.

Bank and businesses in times of economic decline

2011 was a difficult year for corporate clients. The financial crisis was followed by a general economic crisis, and so it came as no surprise that many corporate clients had problems continuing as a going concern. The portfolio of non-performing accounts (clients in financial difficulties) was up compared with 2010. However, Rabobank continues to stand by its clients when times are tough. Such clients receive intensive support from the expert account managers of BBR, our Special Accounts department. Working closely with the client and the local Rabobank, the BBR account manager prepares a plan to improve the performance of the business and also improve the position of the bank. On the whole, the department managed

to improve the financial position of clients, enabling the clients to no longer be considered non-performing accounts. Expectations are that, initially, the portfolio of non-performing loans will continue to grow in 2012, but this negative trend may change by the end of 2012.

Retail clients in financial difficulties

A small but growing number of people are no longer able to make mortgage payments. Many of these people own two homes and therefore have double housing costs; others are going through a divorce. According to media reports, more and more people are experiencing financial difficulties and a large number of houses are awaiting foreclosure. The situation Rabobank is seeing among its own clients is, however, much less clear-cut. The total number of clients in financial difficulties (non-performing accounts) has risen by 14% since 2008 as a result of economic developments. That said, Rabobank has noticed that such cases are becoming more complex. An increasing number of customers have more than one creditor, whereas in the past their only loan was their mortgage. As a result of this and the situation on the housing market, it is taking longer on average to resolve payment problems. However, despite what one might expect of a bank with a 26.2% share of the mortgage market, Rabobank was involved in only 9% of foreclosures in 2011. In this way, Rabobank's policy of standing by clients even when times are tough is being put into practice. Some 90% of clients who run into difficulties no longer have payment arrears several months down the line.

Connecting with society

Cooperative dividend

In addition to offering financial services, Rabobank is committed to investing in local communities and in a more sustainable society. It does this in different ways, e.g. by supporting employees who take responsibility for their community, in particular those involved in local projects and bodies, by drawing attention to issues through its media, and by associating its name with particular issues. The bank also distributes a portion of its profit in the form of cooperative dividend, through local Rabobanks acting in close consultation with their members and by national community funds, donations and sponsorship of community initiatives. In 2011, EUR 60.2 (55.9) million was made available in the way of cooperative dividend.

Cooperative dividend (in millions of euros)	2011	2010	2009	2008
Cooperative funds (local Rabobanks)	37.0	28.3	25.8	20.4
Donations by Rabobank Nederland and other group entities	5.2	4.2	3.3	3.8
Rabobank Foundation (in and outside the Netherlands) ⁴	15.7	21.7	18.7	11.3
Project Fund	1.1	0.9	0.8	3.7
Award money Herman Wijffels Innovation Award	0.1	0.1	0.1	0.1
Share4More	1.1	0.7	0.3	0.3
Total cooperative dividend	60.2	55.9	49.0	39.6

Community sponsorship (in millions of euros)	2011	2010	2009	2008
Rabobank Nederland, Communications department	25.1	24.1	22.6	21.4
Rabobank International and other group entities	9.7	11.8	10.9	16.4
Local Rabobanks	27.0	24.1	24.5	28.0
Total community sponsorship	61.8	60.0	58.0	65.8

4 The local Rabobanks' Cooperative Fund makes contributions to Rabobank Foundation. Their contributions were not disclosed correctly in prior-year reported information, as the Cooperation Fund's expenditures were presented as income for Rabobank Foundation. To prevent double-counting in the total amount of cooperative dividend, the contribution from the Cooperative Fund to Rabobank Foundation is excluded from the figures. Comparative figures have been restated.

All local Rabobanks provide support, in conjunction with members, to many social, economic, sustainable and cultural projects aimed at improving society. Besides financial support, this primarily comes in the form of expertise, networks, and work done by employees. In 2011, local Rabobanks spent EUR 29.7 (23.2) million from their cooperative funds on supporting local community projects. In addition, EUR 7.3 (5.1) million was contributed to Rabobank Foundation.

Rabobank has always had close ties to the food and agri sector. Various local Rabobanks have taken the initiative to bring businesses together. One of these is Rabobank De Zuidelijke Baronie, which is a sponsor of the Treeport initiative together with tree growers, the province of North Brabant, Zundert municipality and other stakeholders. Businesses can invest in this initiative by buying units of participation, and the local Rabobank doubles this investment for businesses that are also members. Rabobank Westland continued its sustainability efforts in the horticulture sector through an initiative that enables market gardeners to make innovations in the chain, in the market and in market development. However, the connecting role played by the food and agri sector is not restricted to rural communities. Under the title 'Voedsel Verbindt Amsterdam' (Food Connects Amsterdam), Rabobank Amsterdam launched a series of collaborative initiatives, including the Food Film Festival with the Youth Food Movement, to increase the connection that residents of Amsterdam have with the provenance, healthiness and sustainability of their food, and to get food to act as a carrier for urban vitality.

Rabobank Foundation

Rabobank Foundation provides support to disadvantaged people to help them achieve their ambitions, financial or otherwise, with the objective of promoting social and economic participation. The fund is made up of contributions from local Rabobanks and is supplemented by Rabobank Group. In 2011, more than EUR 23 million was awarded to 176 projects in the Netherlands and other countries. The projects can be divided into support for vulnerable and underprivileged groups in the Netherlands (approximately 13% of the total amount) and support for foreign savings and loans cooperatives (approximately 87% of the total amount).

In the Netherlands, the connecting theme is social inclusion. Rabobank Foundation wants to help build a society in which everyone is able to participate. Examples of groups who receive support are people with a mental or physical disability, people suffering from Alzheimer's disease, and people who are unable to read or write. Rabobank also supports Emma at Work, a non-profit employment agency for young people with a chronic disease or other physical disability. In 2011, support totalling EUR 3 million was provided to 43 projects in the Netherlands.

Outside the Netherlands, Rabobank Foundation focuses on financial inclusion and economic development. It uses Rabobank Group's expertise in the areas of banking, cooperatives and the food and agri sector to help people in 25 selected developing countries, concentrating on economic development. Rabobank Foundation provides support in the form of microfinance, donations, advice (technical assistance), trade finance or guarantees to help people to organise themselves in cooperatives. The guiding principle for cooperatives is that together we stand, and this also applies to Rabobank Foundation.

In 2011, Rabobank Foundation approved 133 applications received from abroad, and provided support worth EUR 20 million. One compelling example of the way in which Rabobank Foundation provides support abroad concerns the Rabobank's joint venture with Cordaid for providing loans to producers' organisations in developing countries. Rabo Rural Fund, which was set up for this specific purpose in 2011, has over EUR 10 million in hand. The fund was created for organisations and cooperatives in the agricultural sector that are too small to obtain finance from commercial banks but too large to obtain microfinance. The fund brings together the experience gained by both Rabobank and Cordaid in capacity building at farmers' organisations with a view to combating poverty and providing access to financial and export markets in developing countries.

Project Fund supports range of innovative projects

A number of innovative initiatives related to food and agribusiness, SMEs and social issues were launched with support from the Rabobank Project Fund in 2011. These initiatives included the development of a working conditions quality mark in the agriculture and horticulture sectors, a business joint venture on a cooperative basis for product development in the hospitality and leisure sector in the Zeeland and South West Brabant regions of the Netherlands, a cooperative wind energy business model for private individuals, and a pilot project aimed at sustainably encouraging enterprise in education. Several local Rabobanks are involved in these projects.

Social media

Social media is an excellent tool for Rabobank to use in its efforts to maintain a connection with society, provide clients with information and interact with clients on a virtual level. For this reason, Rabobank professionally embedded social media in its organisation in 2011. A webcare team can now be contacted through Twitter and Facebook between 8 a.m. and 10 p.m. on weekdays and 9 a.m. and 5 p.m. on weekends (CET). The team can provide immediate answers to most questions. Followers are also provided with updates and information about Rabobank on a daily basis. At year-end 2011, Rabobank had 19,000 followers on Twitter and had been 'liked' by 14,000 fans on Facebook. Around 93 local Rabobanks are also very active on Twitter. Other group entities, such as Obvion, De Lage Landen, Robeco and RaboDirect, are also rapidly expanding their social media activities.

Connecting with the future

Young people

Part of connecting with the future involves establishing relationships with young people. Rabobank wants to be there for young people by offering knowhow, expertise and experience. One project, 'Leren omgaan met geld' (Handling money), enables primary schoolchildren to learn about where money comes from, and where it goes, while having fun. This project, which was developed in conjunction with KlasseTV, won the 2011 Comenius EduMedia Award in Berlin in June 2011. The 'Baas over eigen Geld' (BOEG, 'Managing your money') programme has a special website where 12 to 18-year-olds can learn to handle their own money. Several local Rabobanks send representatives to visit secondary schools as guest teachers and give classes on money, economics and business that are connected to this programme. Rabobank Centraal Twente and Rabobank Leiden, Leiderdorp en Oegstgeest fleshed out the Move Your Skills learning environment further, in conjunction with local regional training colleges. The first Wijffels Management Masterclass was attended by 20 young officers of national youth organisations, acting in association with the Dutch National Youth Council, CNV Jongeren (a trade union's youth division) and the Social and Economic Council of the Netherlands (SER). Lecturers included Herman Wijffels and Piet Moerland. On top of this, at the end of 2011 the foundations were laid for World=U, a dialogue for young people, conducted by young people, at local, national and international level. Twenty local Rabobanks, working in conjunction with the World Wildlife Fund (WWF), Nederland in Dialoog and Rabobank Nederland, offer young people a platform for presenting their views on a number of major issues affecting our times, including food and economic participation.

Innovations

Rabobank's innovations reflect how the bank is connecting with the future. In this context, in 2011 Rabobank and Albert Heijn experimented with a smartphone payment service at a 'to go' supermarket in Amsterdam. Customers can pay quickly and easily using a special iD sticker placed inside or on their smartphones. In addition, Rabobank supports innovative, sustainable projects through Rabobank Project Fund. The tenth edition of the Herman Wijffels Innovation Award was held in 2011. The award was won by the Schilder brothers from Volendam for their survival tank, which enables fishermen to keep undersized fish alive and return them to the sea. The Public Award went to Freena Eijffinger of Autitouch, who developed a tool to simplify and speed up the diagnosis of autism.

Innovation Desk

Since innovation can be considered the driver of future growth, Rabobank wants to play an active role in the financing of innovations. For this reason, Rabobank launched an Innovation Desk in December 2011 to provide local Rabobanks with better support for services to existing and potential clients working on innovations. In 2011, a start was made with placing comprehensive information on special possibilities for providing finance on Rabobank's intranet. This will be expanded in 2012. The guiding principle is to provide local Rabobanks and clients with added value when it comes to financing innovations. This is achieved by providing a central point of contact, sharing knowledge and establishing links with various parties, among other things.

Connecting with each other

International Year of Cooperatives

The United Nations International Year of Cooperatives was officially launched in New York in October 2011. Rabobank is a partner of this initiative and supports the International Year of Cooperatives through a programme of its own, focusing on two themes. The first is cooperative banking. Rabobank stands out as a bank because of, and thanks to, its cooperative approach. A key advantage that cooperative banks have is that they can operate in a different way from banks that are driven by shareholder value. Cooperative banks have greater freedom to set and stick to their own long-term policy, and to do business with clients in a sustainable way.

The second theme is sustainability in food supply chains. One of the major issues that current and future generations need to deal with is how to feed 9 billion people and manage commodities. This is an area in which Rabobank has made a contribution, with a strong organisational and financial basis, for 110 years. Rabobank has gained a dominant influence in the food and agri sector, and as a result its responsibilities (joint or otherwise) have increased.

Other alliances

In 2011, Rabobank and PGGM, a pension administrator, signed a letter of intent for exploring the possibilities for close collaboration in the coming years. PGGM and Rabobank launched a joint website, 'Samen voor Later' (Together for the Future), in October 2011. PGGM offers up-to-date information on this website, while Rabobank provides solutions for making up any pension shortfalls.

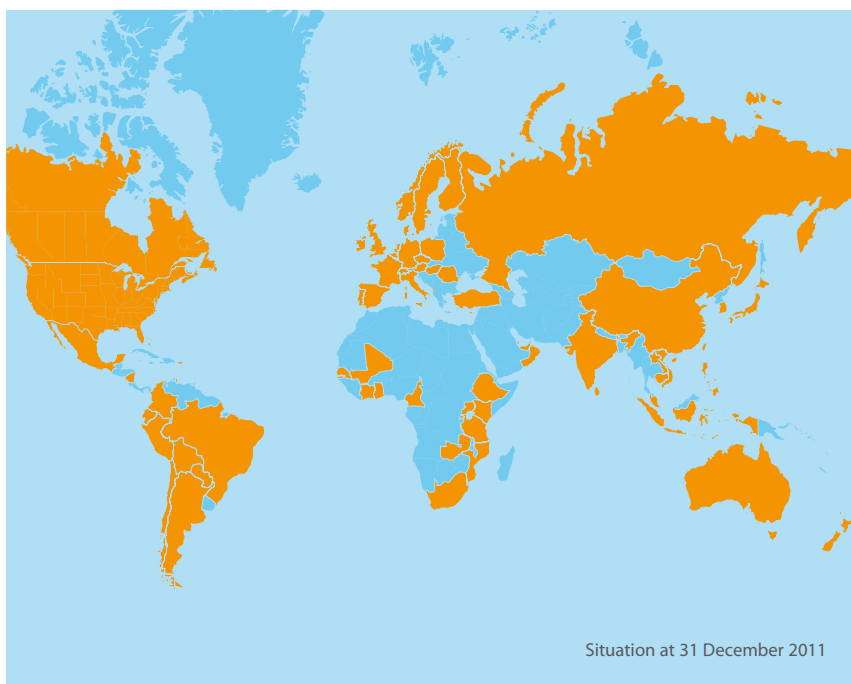
Connecting with employees

The cooperative structure is a source of inspiration for everyone who shapes and gives meaning to Rabobank's actions. The way in which Rabobank connects with employees is also based on its cooperative beliefs. A separate section on employees can be found elsewhere in this report.

Rabobank Group global presence

With Rabobank and its subsidiaries, Rabobank Group operates in 47 countries, including the Netherlands. Rabobank International has a presence in 30 countries, boasting 654 foreign places of business. In addition, Rabo Development has non-controlling interests in seven partner banks and several advisory projects. Finally, Rabobank Foundation supports projects in 25 countries. The countries in which Rabobank holds non-controlling interests or is involved in projects have been disregarded in the list of 47 countries of Rabobank Group.

For more information on Rabobank International branches and offices, including address and contact details, please visit www.rabobank.com.



Rabobank Group (47 countries)

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

Rabobank International (30 countries)

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

Rabobank Foundation (25 countries)

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

Rabo Development (13 countries)

Brazil ⁵	Phillipines
China ⁵	Rwanda ⁵
Ethiopia	Tanzania ⁵
Ghana	Vietnam
India	Zambia ⁵
Ivory Coast	
Mozambique ⁵	
Paraguay ⁵	

5) Partnerbank

Broad range of services in the Netherlands

www.rabobank.nl, www.obvion.nl, www.achmea.com

Stable results with limited growth in loan portfolio

Although 2011 was off to a promising start, the economy began to slump later in the year. Falling consumer and producer confidence weighed down the demand for loans. As a result, private sector loan portfolio saw an increase of just 3%, rising to EUR 295.8 billion. Fewer new mortgages were sold due to the poor market. Rabobank did not sell as many mortgages either but the drop was less steep than for others. These developments caused our share of the Dutch mortgage market to go up by a mere 2.7 percentage points, landing at 31.7%. We also achieved further growth in the wholesale market, while retaining our marketshares of the agricultural and savings markets. Margins on savings deposits were down. At EUR 1,853 million, the net profit posted by the local Rabobanks and Obvion was virtually the same as for 2010 despite the economic decline. The poor economy caused value adjustments to rise by 81%, mounting to EUR 648 million. This corresponds to 22 basis points of average lending, which is above the long-term average. At domestic retail banking, amounts due to customers rose by 4% to EUR 200.1 billion.

Strategy for domestic retail banking

Rabobank Group's ambition is to achieve market leadership in all segments of the Dutch market. Domestic retail banking contributes fully to this ambition by offering a comprehensive range of financial products and services. Rabobank Group has a leading position in the Dutch mortgage and savings market, the market for trade, industry and services (TIS) and the agricultural sector. Rabobank serves the mortgage market with the local Rabobanks and mortgage business Obvion. Rabobank's equity interest in Achmea B.V., formerly called Eureko, was reduced from 31% to 29% in 2011. In the Netherlands, Achmea is a prominent player across the insurance market, operating labels such as Interpolis. As a primary supplier of customers of the local Rabobanks, Interpolis offers a comprehensive range of insurance products and services for the retail mass market and SMEs. Rabobank aspires to achieve profitable growth in the insurance market. In 2011, we realised our goal of becoming market leader in wholesale banking. Rabobank has traditionally had a unique connection with the agricultural sector, serving this sector as a financier, sparring partner and centre of expertise. Rabobank is committed to maintain this position.

Responsible banking at Rabobank

In its retail services, Rabobank has identified the following four themes in relation to responsible and sustainable banking:

- accessibility for vulnerable groups: everyone should be able to handle their banking matters independently;
- prevention of financial problems and guidance for consumers in financial difficulties;
- transparency: offering fair, straightforward products, and clearly communicating the related costs, returns and potential risks;
- sustainable services: encouraging clients to be more aware of their consumption of energy and natural resources, and to use them more efficiently.

These themes are a result of Rabobank Group's strategic policy and our central themes.

Our performance is measured using CSR performance indicators. These show that:

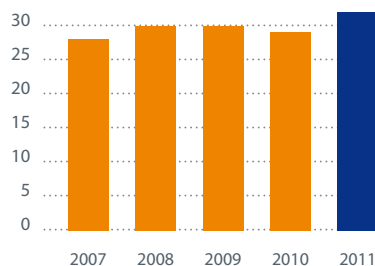
- 84% (79%) of senior citizens feel that Rabobank makes banking easy;
- 69% (69%) of retail clients feel that Rabobank treats its customers fairly;
- 74% (76%) of retail clients feel that Rabobank provides transparent and easy-to-understand information about its services and products.

In 2011, Rabobank developed a dashboard that can be used to measure customer satisfaction of actions and activities undertaken with respect to sustainable economic development and responsible banking. Customer feedback is used to measure our performance on the following aspects:

- accessibility for businesses, including start-ups and innovators;
- commitment to clients, for better or for worse;
- forward-looking approach in sustainability dialogue with clients;
- suitable advice tailored to specific and individual requirements;
- transparency and reliability;
- level of access to networks.

These themes were linked to management variables that are discussed periodically within the bank.

Share of mortgage market
in %



Mortgages

Where the mortgage market showed growth in the first half of 2011, sentiments turned around in the second half, reducing the mortgage market to a level below that of 2010. All in all, total new mortgage business contracted slightly in the Netherlands in 2011. Rabobank also sold fewer mortgages in 2011, although the drop was not as steep as in the market overall. Our market share rose to 31.7% (29.0%) as a result. The market share of the local Rabobanks was up 0.7 percentage points, reaching 26.2%, and Obvion's share of the market increased by 2.0 percentage points to 5.5%.

Reforming the Dutch housing market

The Dutch housing market is in a gridlock. Current home owners are not moving up the property ladder because of a lack of consumer confidence in the market. Tenants of social housing are also staying put because, in many cases, their rent is officially too low for their income. In some areas, waiting times are unacceptably long. In order to mitigate the risk of reduced future affordability and to limit residual mortgage debt, Rabobank already advocated imposing restrictions on interest-only mortgages in the advisory process in 2010. This is prompted by market developments, including gradual tax measures, lower pension entitlements and developments in house prices. At the same time, however, there is a structural housing shortage in the Netherlands.

In June 2011, Rabobank presented a ten-point plan to re-energise the housing market. The plan suggests a full-scope reform of the housing market. Although the initial response was mixed, Rabobank's initiative, as the country's largest mortgage lender, certainly did not go unnoticed with politicians and special-interest groups. This key issue for the Dutch economy is now being studied extensively at many levels and with different stakeholders. The stakes are high: helping the housing market in the short term and creating a more stable foundation for the housing market in the longer term. The current political landscape makes it difficult to predict at this time whether and when the proposed nation-wide consensus will be reached.

Best-rated mortgage products

In a survey held by the Dutch Consumers' Association, the Rabo OpbouwHypotheek mortgage was ranked first as the best mortgage product. The Consumers' Association's survey looked at 27 mortgage lenders and their products; the terms and conditions of the Rabo OpbouwHypotheek mortgage received the best ratings.

MoneyView, an independent financial market research agency, gave Obvion's mortgage products the top rating. In its survey, MoneyView reviewed 70 mortgage products on aspects such as interest reset procedures, term of validity of the mortgage proposal, penalty clauses and mortgage portability. The Obvion Basis Hypotheek mortgage was ranked highest in the category for budget mortgages and the Obvion Compact Hypotheek mortgage, which was introduced in 2011, came in second. Obvion also won the Gouden Spreekbuis award in 2011 as well as the Performance Award Hypotheekverstrekker for mortgage lenders.

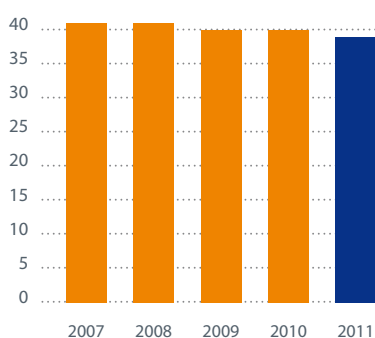
Easier-to-read mortgage proposals

To further improve the transparency of financial products, the details of our mortgage proposals have been rewritten so that they are easier to understand. The use of every-day language makes it simpler for customers to find and understand the information they need. The new mortgage proposals have been well received by our customers and advisers alike.

OpMaat mortgage compensation scheme

Rabobank started to implement the OpMaat mortgage compensation scheme in 2010. Rabobank developed this compensation scheme following the Dutch Ombudsman's 'Recommendation on the OpMaat Mortgage' of 2 December 2009 and the agreement with Stichting Woekerpolis, a special-interest group fighting profiteering policies, on 18 December 2009. Over 190,000 customers received a personal compensation offer from Rabobank in 2010. Around 75% of customers took the offer. Although most of the compensation activities were concentrated in 2010, our advisers still met with customers in 2011 to discuss their active OpMaat Hypotheek mortgage. Customer feedback has shown that these customers were generally happy with our advisory services.

Share of savings market
in %



Savings products

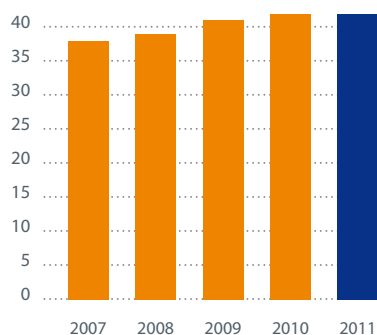
Domestic retail banking saw its amounts due to customers increase by 4%, rising to EUR 200.1 (192.8) billion. Amounts due to customers are made up chiefly of savings deposits from private individuals. This category was up 4%, reaching EUR 116.8 (112.6) billion. In addition, more and more customers are opting for bank savings. Using Rabo Toekomst-Sparen, a type of bank savings, an increasing number of customers are taking responsibility for their future income. This is a tax-efficient way of asset building. The savings market in the Netherlands grew by 5% in 2011, reaching a volume of EUR 306.1 (291.1) billion. Rabobank Group's share in this

market was 38.7% (39.7%). Of this share, 37.3% (38.2%) was held by the local Rabobanks and 1.4% (1.5%) by Robeco Direct.

Savings deposits became even more important to banks. Competition in the savings market intensified over the last few months of 2011 and interest rates on savings deposits were up. The Dutch deposit guarantee system, which guarantees savings deposits of up to EUR 100,000, makes the risk profile of a bank less relevant to most consumers. This system is expected to be converted in 2012 from a system of retrospective financing by banks into a system that requires each bank to make an upfront payment into a fund.

Changes in range of savings products

Rabobank simplified its range of savings products in the year under review. Rabo InternetSparen is a new online savings account with three balance categories, which makes it more convenient and transparent. Savings products for businesses were also streamlined by reducing the product range to three products. In an ever more competitive market, Rabobank's priorities are long-standing client relations and realistic pricing.



Trade, industry and services

Market leader in wholesale banking

At 42% (42%⁶), Rabobank Group's share of the trade, industry and services (TIS) market was stable in 2011. In the year under review, Rabobank became market leader in the overall wholesale segment in the Netherlands, as was demonstrated in the most recent survey by TNS-NIPO, a market research agency. Of businesses posting between EUR 10 million and 250 million in revenue operating in the wholesale market, 31% consider Rabobank as their primary bank. In addition, businesses generating between EUR 30 million and 250 million in revenue indicated, in June 2011, that they saw Rabobank

as the leading bank for complex financial services in the wholesale segment. After having sought growth in the wholesale segment since 2010, these efforts have now paid off for Rabobank. In addition to targeting new clients, we will continue to focus on our existing clients, which is of the essence, particularly in the current economic climate.

SME loans

Many businesses seem to think that since mid-2011 banks are now unwilling to accept perfectly sound business plans. Rabobank continues to issue loans to businesses with a healthy long-term outlook. We offer proactive input during the lending process. If it seems that unlikely that returns will be generated, it is in the best interest of both the bank and the customer to refuse a loan. During a debate with business owners late in 2011 about the question of whether SME loans were hard to come by, we spoke about how we approach SME loans and elaborated on relevant aspects.

Closer collaboration with Qredits

Qredits, a microcredit organisation established in 2008 with Rabobank's support, focuses on financing existing businesses and start-ups with a financing requirement that have no chance of getting a standard bank loan. This would include entrepreneurs who need more support than the bank can offer, for instance owing to deficient language skills. In 2011, Rabobank intensified its collaboration with Qredits in three respects. First of all, Qredits was advertised more to the local Rabobanks and more focus was placed on the integration of Qredits into day-to-day operations. An increasing number of entrepreneurs can be referred to Qredits as a result. Secondly, it was decided to increase the maximum loan from EUR 35,000 to EUR 50,000. This measure will make it possible to help a broader group of entrepreneurs with microfinance. Finally, preparations were started in 2011 for offering Rabobank coaches to Qredits and its entrepreneurs. This will not only allow Rabobank to refer entrepreneurs, but also to actively support them in becoming successful business owners. By deepening ties, Rabobank was even better placed in 2011 to contribute to the financing of existing businesses and start-ups in the Netherlands.

Payment transactions

Broader service range through direct channels

Rabobank wants to be able to serve its customers irrespective of time or place, whether via mobile or land-based online solutions. Rabobank now has 410,000 customers who use mobile banking solutions and their number continues to grow significantly. About 40% of online banking transactions are now conducted using a smartphone. To maintain our edge in this respect, Rabobank further developed the self-service environment in 2011. We simplified the registration process for mobile online banking and added a balance checker allowing customers to see their bank balance without having to log in. The Rabo Banking App was adapted for other devices, so that smartphone banking will become accessible to even more customers. A scan feature was added to the Rabo Banking App for iPhones, allowing online payment of transfer slips. The fact that customers appreciate our efforts was demonstrated by us winning the Banking & Finance ICT Innovation Award 2011. This award is a reward for our

⁶ The percentage for 2010 has been restated due to a change in definition.

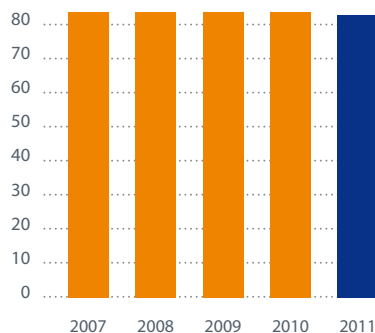
pioneering role in mobile banking. We received the award not only for the Rabo Banking App, but also for MiniTix, a mobile wallet. With MiniTix, customers can order and pay for services using their smartphone at 3,200 locations in the Netherlands. MiniTix can also be used in scores of company canteens, sports clubs, care facilities and school cafeterias. As part of our sponsorship efforts, Rabobank first introduced this mobile wallet at field hockey clubs.

Rabobank subscribes to the Code of Conduct for the Processing of Personal Data by Financial Institutions and has taken a range of measures to guarantee the availability, integrity and reliability of client data. The websites of many well-known businesses have suffered cyber attacks in 2011 and Rabobank was one of them. Although our client data were safe and our customers did not suffer financial losses, we did take our online banking website offline temporarily. The Gartner research agency sees cybercrime and availability attacks as a new reality. In 2011, several of our customers fell victim to phishing and skimming. Rabobank has implemented additional prevention and detection measures over the past year to minimise the effects of increasing cybercrime.

Consumers ready for iDEAL Mobile

In 2011, Rabobank explored options for how to add iDEAL Mobile to the Rabo Banking App. iDEAL Mobile is a mobile payment service allowing customers to order and pay for products and services using their smartphone. iDEAL Mobile will be introduced in the first half of 2012. To help businesses harness the new opportunities of e-commerce, Rabobank issued a vision of e-commerce late in 2011, which sets out the implications of new consumer behaviours. By developing Rabo OmniKassa, Rabobank has introduced a single till system for all sales channels, which will help business owners keep control of different payment flows.

Share of food and agri market
in %



Food and agri

Foremost partner in food and agri thanks to sustainable market leadership

Rabobank has a long tradition as a financier and centre of expertise for the agricultural sector. Our share of the food and agri market stood at 83% (84%) in 2011. Rabobank makes investments in the development of vision and knowledge for clients and employees in the food and agribusiness. These investments have been transposed into a number of key themes: sustainability, globalisation, market, society, innovation and health.

Particular issues affecting livestock farming and their funding are ammonia emissions, animal welfare, manure and spatial planning. Society is asking for change and innovation.

The greenhouse horticulture sector was hit hard in 2011. Rabobank participated in the social debate about this sector at various levels in 2011 and will continue to do so in 2012. In tandem with Rabobank International, another area of focus was a move towards greater sustainability in the food chain.

A study on the future of Dutch dairy farming (Het nieuwe melken) was presented late in 2011; the related measures will be rolled out broadly in 2012. Other studies that were published were about pig farming (Voer voor varkenshouders) and milk goat farming (Groeipijn op weg naar volwassenheid); they are meant to help Dutch farmers in these segments define their strategy. Rabobank subscribed to and actively supported the government programme for more sustainable livestock farming. The final area of focus in the food and agri sector was business succession and termination. This theme will play a role in the primary agricultural sector in 2012 too.

Rabobank: a business bank

A bank that values its customers, Rabobank works in dialogue with businesses to achieve sustainable economic development. We set great store by being predictable and consistent, particularly in these economically turbulent times for customers. An example worth mentioning is the EHEC crisis that broke out in Germany in early June 2011 and that caused a serious blow to the Dutch greenhouse horticulture sector. Shortly after the crisis had begun, Rabobank presented a broad package of measures in aid of the affected horticulture businesses, and offer confidence and assurance immediately. Involving losses to the tune of some hundreds of millions of euros, not counting losses suffered by other partners in the chain and a number of business shutdowns, the ultimate impact on the sector was dramatic. It will take some years before the sector has recovered completely from this financial strain. Our focus on serving our customers' interests is illustrated by our actions during the EHEC crisis as well as by the fact that our Special Accounts department usually manages to revitalise affected businesses.

Preparations for Floriade horticultural expo

The preparations for the Floriade World Horticultural Expo were kicked off in 2011. The exhibition will be held in the Venlo area in the Netherlands from 5 April to 7 October 2012. The central themes of the exhibition are perfectly in keeping with Rabobank's ambition to become the leading global food and agri bank. What is more, Floriade is an excellent platform for sustainability, innovation and knowledge transfer and it is meant to give a boost to the local economy, particularly to the GreenPark Venlo horticultural park. The Floriade grounds will be added to GreenPark Venlo after 2012, when it will be sustainably developed. As a founder of Floriade, Rabobank is greatly involved in developing this world expo, as well as in many other, often self-developed, activities. We started the build of Rabo Earth Walk, our own pavilion, in 2011; we expect it to be one of the prominent pavilions of Floriade, which will attract an estimated 2 million visitors or more.

Insurance

Increase in insurance policies sold by Interpolis

Interpolis, a division of Achmea, has a leading position in the Dutch insurance market. The local Rabobanks are the only intermediaries to offer Interpolis insurance. Landing at 1,320,000 (1,321,000), the number of Alles in één Polis insurance policies was more or less stable in 2011. 58% of customers have taken out three or more types of cover under this policy. At the local Rabobanks, about 19% of private individuals have taken out Alles in één Polis policies and about 28% of corporate clients have Bedrijven Compact Polis policies or ZekerVanJeZaak Polis policies. The popularity of the Bedrijven Compact Polis policy dropped in favour of the ZekerVanJeZaak Polis policy, which was developed in 2008 for businesses with revenues below EUR 1 million. The number of ZekerVanJeZaak Polis policies sold rose to 44,000 (31,000) in 2011. Interpolis offers health insurance under the Interpolis ZorgActief label, which is one of the fastest-growing health insurance policies in the Netherlands, rising by 11% to reach 199,000 (179,000) in 2011. Insurance commission at the local Rabobanks was down 6% to EUR 308 (328) million. Commission income from non-life insurance stood at EUR 308 (316) million. Commissions from life insurance were reduced to EUR 0 (12) million as a result of commission losses due to the surrender of commissions received in advance.

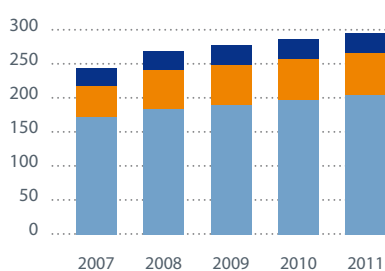
Transparency of insurance commissions

Interpolis pays Rabobank, which sells its insurance policies, a fee for services. We have been open and honest about the level of this fee for Alles in één Polis policies since 1 November 2011. From now on, the policies show what part of the premiums is paid to the local Rabobank as a fee. By doing so, Rabobank and Interpolis go a step further than the government proposal, which tells banks to disclose the amount of the fee only to customers who ask for disclosure. In the process of providing transparency, Interpolis and Rabobank have also changed the way the fee is calculated. Instead of using a percentage of the premium, they work with fixed fees related to the efforts that Rabobank puts in to serve the customer. We check periodically whether the customer's insurance policies still suit their situation.

Loan portfolio by sector

in billions of euros

Food and agri
TIS
Private individuals



Modest growth in lending

Private sector lending at domestic retail banking increased by 3% in 2011, rising to EUR 295.8 (286.9) billion. Consumer and business confidence has fallen because of the euro crisis and the bleak economic outlook. Both groups are holding off on their spending and are repaying loans where they can.

Lending only showed modest growth for the second year in a row as a result. Of loans, 69% were issued to private individuals, 21% to the TIS sector, and 10% to the food and agri sector. Loans to private individuals, which are comprised almost entirely of mortgage loans, rose by 4% in 2011 to

EUR 203.9 (196.8) billion, loans to the TIS sector were up 3%, reaching EUR 62.8 (61.1) billion, and loans to the food and agri sector landed at EUR 29.1 (29.1) billion. The meat-processing sector increased in scale, while the dairy segment was faced with a contracting market.

Financial results of domestic retail banking

Results (in millions of euros)

	2011	2010	Change
Interest	5,218	4,894	7%
Commission	1,357	1,321	3%
Other results	366	294	25%
Total income	6,941	6,509	7%
Staff costs	2,258	2,161	4%
Other administrative expenses	1,609	1,553	4%
Depreciation and amortisation	119	119	
Total operating expenses	3,986	3,833	4%
Gross result	2,954	2,676	10%
Value adjustments	648	358	81%
Operating profit before taxation	2,307	2,318	
Taxation	454	475	-4%
Net profit	1,853	1,843	1%

Bad debt costs (in basis points)	22	13	69%
----------------------------------	----	----	-----

Ratios

Efficiency ratio	57.4%	58.9%
RAROC	24.0%	23.8%

Balance sheet (in billions of euros)

	31-Dec-11	31-Dec-10	
Total assets	373.0	360.9	3%
Private sector loan portfolio	295.8	286.9	3%
Amounts due to customers	200.1	192.8	4%

Capital requirements (in billions of euros)

Regulatory capital	6.4	6.7	-4%
Economic capital	7.2	8.1	-11%

Number of employees (in FTEs)	27,272	27,322
-------------------------------	--------	--------

Notes to financial results of domestic retail banking

Income up 7%

Domestic retail banking saw a limited 7% increase in total income, rising to EUR 6,941 (6,509) million in the year under review. Thanks, in part, to growth in lending and amounts due to customers, interest earnings at domestic retail banking were up 7% to reach EUR 5,218 (4,894) million in 2011. Commission income increased to a limited extent, landing at EUR 1,357 (1,321) million. An increase in share capital contributed by the local Rabobanks to Rabobank Nederland fuelled higher dividend distributions by Rabobank Nederland to the local Rabobanks in 2011. This was one of the reasons for the 25% rise in other results to EUR 366 (294) million. There were no changes in the share capital of Rabobank Nederland in 2011.

Operating expenses up 4%

Total operating expenses at domestic retail banking were up 4% in 2011, rising to EUR 3,986 (3,833) million. In addition, the costs of hiring external staff were higher than in 2010. Extra staff were needed to implement the measures dictated by new rules and regulations, and to fill temporary vacancies. Another factor contributing to the 4% increase in staff costs to EUR 2,258 (2,161) million was the salary increase under the collective bargaining agreement. Other administrative expenses were up 4% too, rising to EUR 1,609 (1,553) million. Depreciation and amortisation charges stood at EUR 119 (119) million.

Bad debt costs at 22 basis points

Due, in part, to the EHEC crisis in greenhouse horticulture, bad debt costs already saw a slight increase in the first half of 2011 despite economic growth and the reasonable outlook at the time. There was a considerable downturn in the economy, however, in the second half of the year, causing value adjustments to rise further by 81% to reach EUR 648 (358) million. At 22 (13) basis points of average lending, bad debt costs were above the long-term average of 12 basis points. Of lending, 69% is comprised of residential mortgage loans. Bad debt costs on residential mortgage loans stood at 3 (4) basis points.

Regulatory capital down 4%

In calculating regulatory capital, risks associated with loans to private individuals and corporate clients are estimated using internal rating and risk models. Regulatory capital for the domestic retail banking division saw a limited drop in 2011 on year-end 2010 to EUR 6.4 (6.7) billion. Economic capital, the internal capital requirement, stood at EUR 7.2 (8.1) billion.

Outlook for domestic retail banking

We probably find ourselves at the beginning of a prolonged period of moderate economic growth. Sectors that rely on consumer spending in the Netherlands, such as the retail trade and the housing sector, will continue to have difficult times ahead. Exports will also suffer the consequences of the slowdown in world trade. Lending will only see limited growth as a result. Expectations are that house prices will continue to drop moderately in 2012 as potential home buyers are unwilling to part with their cash because of the uncertain outlook and the borrowing capacity of buyers is under pressure due to government spending cuts and the weak economy.

Leading food and agri bank at international level

www.rabobank.com

Leading wholesale bank in the Netherlands and strong growth in Direct Banking

After the recovery in 2010, economic growth came to a standstill particularly in the second half of 2011. Rabobank International's loan portfolio grew by 8% to EUR 106.6 billion despite the global trend of businesses wanting to reduce their debt positions. The share of food and agri in the portfolio rose by 3.2 percentage points to 47.7%. We managed to bolster the bank's funding position because of a considerable increase in Direct Banking operations, where savings deposits were up 41%, rising to EUR 16.4 billion. Operating profit fell by 5% on 2010, which was due in particular to lower margins on loans and higher costs associated with raising savings deposits. The rise in operating expenses was caused also by expenditures on the foreign branch network and the operational platform, and an increase in employee base. Value adjustments were up 15%, rising to EUR 686 million; at 73 basis points of average lending, they were above the long-term average of 54 basis points. Net profit from wholesale banking and international retail banking stood at EUR 781 million. Thanks to the wholesale operations that were initiated in 2010, we became the leading bank for Dutch wholesale clients in the Netherlands in 2011. More and more businesses in the mid-corporate segment consider Rabobank as their company bank, while Rabobank became the preferred bank in the market for large corporates. In an international context, Rabobank is recognised as a leading food and agri bank. Our world-wide focus on key food and agri sectors is beginning to pay out. We are increasingly involved in cross-border transactions because of better leveraging of our extensive global network.

Rabo Development holds non-controlling interests in seven partner banks employing more than 20,000 people. In 2011, this division explored options for collaborating with banks in East and South Africa, and Southeast Asia.

Strategy for Rabobank International

Rabobank International's strategy focuses on providing a broad range of services in the Netherlands and on serving the food and agri sector internationally. The strategy rests on three pillars:

1. market leadership in the Netherlands;
2. recognition as the global food and agri bank; and
3. leveraging of specialist knowledge and products.

The underlying principle of our strategy is to build long-term relationships with clients. In the Dutch wholesale market, Rabobank International supports the local Rabobanks in their service provision to wholesale clients. Rabobank International serves the top players in the Dutch corporate market itself. Opportunities were seized in this market in 2011 to broaden our service provision to corporate clients and to further increase the number of these clients. In an international context, wholesale banking focuses on the food and agribusiness sector.

Rabobank has traditionally played the role of knowledge bank in this sector and has the ambition of being the leading food and agri bank globally. The international wholesale banking business concentrated mainly on its existing food and agri clients in 2011. Because of its international presence and local market knowledge, it managed to streamline its customer services and meet individual customer requirements even better. The international rural and retail banking business focuses on wholesale food and agri clients and on retail clients, particularly to raise savings deposits, in a select number of leading food and agri countries. After having expanded its retail network in key food and agri regions in 2010, Rabobank went on to concentrate on the further integration of these operations into its existing retail activities in 2011. In direct contacts with clients, we contributed to making value chains in the food and agri sector more sustainable.

Pillar 1: market leadership in the Netherlands

The wholesale market for Dutch clients is broken down into the market for large corporates and the market for mid-corporates. Rabobank's goal is to become the preferred bank for mid-corporates. The ambition for the market for large corporates is to play a leading role in high-profile transactions. Clients who operate in this market are looking for a reliable long-term partner, which they select based on mutual trust and their history with the bank. Rabobank's image on the corporate market was fine-tuned in an advertising campaign highlighting the fact that we are a global player that is true to its roots (*Een wereldspeler die zichzelf blijft*). Rabobank boasts a large international network, and an increasing number of customers with international operations choose us as their bank. This includes nearly all listed companies in the Netherlands. A survey conducted by market research agency TNS-NIPO, the outcome of which was reported in the Financial Monitor of September 2011, showed that Rabobank became market leader in the wholesale market in 2011. In addition, in 2011, the market saw Rabobank as the most reputable bank for complex financial services in the wholesale segment. During the presentation of the Mergers & Acquisitions Award 2011, the sale of Action to 3I was named the best M&A deal of 2011.

The newly initiated wholesale activities coincided with great changes in the wholesale market. Particularly in the second half of 2011, businesses were hesitant about capital expenditure, thereby limiting opportunities for growth.

Pillar 2: recognition as the global food and agri bank

International wholesale banking

The international wholesale banking business focuses on the food and agri sector, in which Rabobank is a leading player. We offer a broad range of services to customers across the global food chain. International wholesale banking also serves large Dutch clients operating outside the food and agri sector. In order to streamline our services, we have entered into alliances with key product specialists such as Rothschild and Jefferies. This will help to deepen and broaden our service offering, resulting in higher revenues per client. In 2011, Rabobank was granted a banking licence in India, so that we can now leverage our food and agri knowledge in this key market too. Besides our offices in Shanghai, we have also opened a Chinese branch in Beijing. Our Brazilian operations showed sharp growth, thanks, in part, to a surge in exports, particular to Asia. Trade and commodity finance, which is characterised by relatively short maturities and its self-liquidating nature, has developed into a key activity in the international wholesale banking business that fits perfectly with our focus on the food and agri sector worldwide.

International rural and retail banking

International rural and retail banking is a growing division specialising in providing finance to agricultural businesses and community banking. After the expansion of the international rural and retail network following acquisitions in California in 2010, emphasis was placed in 2011 on the further integration of these acquisitions into the existing local retail operations. In addition, the opening of a number of new branches helped to further broaden the existing international rural and retail network. About 80% of growth in rural and retail loans stemmed from the food and agri sector. Retail lending was up 6%, reaching EUR 35.8 (33.9) billion, making up 34% (34%)

of Rabobank International's total lending. The bulk of these retail loans were issued in Australia and New Zealand, where the portfolio grew by 8%, reaching EUR 14.9 (13.8) billion. The Americas portfolio was up 15%, rising to EUR 11.8 (10.3) billion. Rabobank is now the leading food and agri bank in Australia and New Zealand, and a market survey by J.D. Power and Associates crowned us the best retail bank in California. The survey was conducted in 2011 among 52,000 local retail clients. Rabobank is increasingly gaining a foothold in Brazil, a promising growth market. We issued more loans to large, mostly exporting, farming businesses. Retail loans at Poland's Bank BGZ increased by 8% to EUR 5.4 (5.0) billion. Rabobank has a 60% equity interest in this Polish bank, which managed to further expand its branch network in 2011. In 2011, the Polish State, which is a co-shareholder in Bank BGZ, floated a number of its shares. As a result, 15% of the shares in Bank BGZ are now being traded on the Polish stock exchange.

ACCBank's retail portfolio stood at EUR 3.7 (4.2) billion. Many Irish customers were suffering the consequences of the poor economy in 2011. Additional provisions had to be formed as a result. Although the Irish government seems to be taking the right measures, bad debt costs are expected to remain high in this country over the next few years.

Increase in savings deposits at Direct Banking and new online bank in Poland

Rabobank has five foreign online banks. After the establishment of Rabobank.be in 2002, similar initiatives were undertaken in three other countries. Our online banks go by the name of RaboDirect in Ireland, New Zealand and Australia. These online banks saw a strong increase in their savings deposits by private individuals in 2011. The foreign online banks contributed EUR 16.4 (11.6) billion in savings deposits in total at year-end 2011. The total number of Direct Banking customers was up 30% in 2011, rising to 472,000. The savings deposits are used to fund the international rural and retail loans, and the loans issued by other divisions of Rabobank Group. The bulk of the savings deposits originate from the Belgian online bank, which is the oldest. Nine years after Rabobank.be opened its virtual doors, the bank broke the EUR 5 billion mark. The success of online banking is due to a combination of banking security at Rabobank and the no-nonsense business proposition. Customers especially appreciate the transparency of our terms and conditions.

Inspired by the success of the other four online banks, Bank BGZ launched online savings bank BGZ Optima in November 2011. In the remaining six weeks of 2011 after its launch, the first 37,000 customers had already been won. BGZ Optima is Poland's first online savings bank. With the help of this online bank, Bank BGZ seeks to increase its share of the Polish market and gain access to a new client base in the larger metropolitan areas.

Pillar 3: leveraging of specialist knowledge and products

Supplying quality products and services to Dutch and foreign food and agri clients requires professional high-grade product platforms and infrastructures. Our clients' opportunities and threats are becoming more and more complex, and it is therefore vital that we offer a wide range of solutions. The specialist activities of Global Financial Markets (GFM) and Professional Products (PP) form pillar 3. Trade & Commodity Finance (TCF), a division of PP, has the mission to be one of the best commodity banks. This has resulted in various awards in 2011, including that of 'Best Confirming Bank in Latin America & Caribbean' presented by the International Finance Corporation and that of 'Best Soft Commodities Bank 2011' awarded by Euromoney, a business and investment magazine. The teamwork with Food & Agribusiness Research & Advisory, and Mergers & Acquisitions also contributed to winning these accolades.

TCF is seeing steady growth in facilities, which comes hand in hand with high-quality developments in the portfolio. TCF arranges financing structures for customers throughout the value chain in the food and agri, energy and metal sectors. In addition, it offers assistance to financial institutions in emerging economies by setting up clients with Rabobank trade finance products. Global Client Solutions (GCS) helps GFM and corporate clients in arranging complex and unique financing structures. In 2011, GCS successfully reorganised the Dutch division so as to create an even greater focus on Rabobank's key accounts; the non-core portfolio was slimmed down substantially in the process.

Rabo Private Equity is Rabobank's investment division. Specialist labels, such as Rabo Capital, Rabo Ventures, Dutch Greentech Fund, RaPar and Phoenix Recovery Capital, are used to take equity stakes in businesses based on sector knowledge. There was relatively little activity on the private equity market in 2011, which made it a challenge for Rabo Private Equity to find investment opportunities that fit Rabobank's strategy. Rabo Capital, for instance, nevertheless managed to make a suitable investment by taking a majority interest in Delta Wines. Drawing on the knowledge of its international food and agri network, Rabo Capital will be able to contribute to harnessing the growth potential in the market segment in which Delta Wines operates.

GFM offers a wide range of products that are available on the global financial markets, some of which aim to improve customers' risk management systems. To this end, the product offering of commodity swaps was broadened in 2011 and the number of locations where GFM has a presence increased.

Rabo Development assists in transforming banks in developing countries

Rabo Development supports existing banks with a rural orientation operating in developing countries to transform into professional, modern financial institutions. In this way, Rabobank succeeds in providing millions of customers in these parts of the world access to appropriate financial services in line with its original mission in the Netherlands. As Rabo Development acquires a minority interest, the bank remains locally controlled and retains its autonomy while still benefitting from Rabobank's capital, expertise, products, networks and management capacity. For this purpose, Rabo Development uses the knowledge and experience of Rabobank staff from all parts of the organisation. Experts in areas like credit management, risk management, product development, distribution, ICT, HR and other specialised areas continuously provide support to these partner banks.

Access to finance for millions of customers

Bank	Country	Equity interest (in %)	Branches	Customers (x 1,000)
National Microfinance Bank	Tanzania	35	140	1,514
United Rural Cooperative Bank of Hangzhou	China	9	140	1,638
Zambia National Commercial Bank	Zambia	46	188	566
Banco Terra	Mozambique	49	8	23
Banco Regional	Paraguay	40	38	65
Banque Populaire du Rwanda	Rwanda	35	190	1,426
Banco Cooperativo Sicredi ⁷	Brazil	25	1,155	1,979
Total			1,859	7,211

Over 2011 Rabo Development has encouraged synergies in the development of its partner banks. Regional conferences and visits, between African partner banks for instance, have enabled participants to share 'lessons learned' on topics like agricultural finance, human resource management or IT. It has made clear that despite different backgrounds and operating environments, it is worthwhile to share knowledge and create a network of affiliated institutions. It has also inspired partner banks to start exploring commercial cooperation. This process has been largely endorsed by Rabobank's Trade and Commodity Finance with its new vision on emerging markets and interest in commercial cooperation to the benefit of customers at both ends. For its Dutch clients, Rabobank has created its 'Flying Desk' supporting customers doing business in Africa. Also in Brazil and China encouraging signals are seen of increased commercial co-operation between the partnering institutions and the Rabobank Group.

Active role for Rabo Development in improving sustainability of value chains

Rabo Development continued its active role in enhancing the sustainability of food and agri value chains. Training was organised for the partner banks in Rwanda, Zambia and Paraguay to improve agricultural financing practises. In Rwanda, a new Head of Agriculture was appointed as well as 18 dedicated agri loan officers. In Tanzania, 8 value chain managers were appointed as well as 15 agri loan officers.

⁷ Numbers of Banco Cooperativo Sicredi are based on the total cooperative system.

In addition to strengthening of the agri credit capacity, Rabo Development continued its cooperative capacity building projects in Rwanda (tea, rice, coffee and dairy) and Mozambique (rice). In Tanzania the NMB Foundation trained 600 cooperatives and farmer groups active in cashew, coffee, sugar cane and tea. In Rwanda a farmer credit scoring model was developed in a co-project with De Lage Landen and Erasmus University. This has significantly reduced turn-around times and contributes to an improved quality of the farmer loan portfolio.

Next to the activities for its partner banks, Rabo Development continued to work with cooperatives in the cocoa sector of Ivory Coast in a joint project with ECOM and Rabobank Foundation. In Ethiopia the Cooperative Bank of Oromia was trained in financing coffee cooperatives (co-project with Common Fund for Commodities, CABI and Rabobank Foundation).

One of the main obstacles in agri financing in Africa is a lack of collateral. To address this, all the African partner banks signed guarantee agreements with the Rabobank Foundation related to cooperative and emerging farmer loans. This has significantly boosted volumes of agri finance activities whilst keeping the downside risk under control.

Final closure Banco Cooperativo Sicredi and capital injection for Banco Terra

In June 2010 an agreement was reached for a minority stake in Banco Cooperativo Sicredi SA (Apex) in Brazil. In 2011, the investment got approval from the Central Bank of Brazil and the President of Brazil and resulted in a final closure at 20 May 2011.

In the first half year of 2011, Rabo Development injected additional capital into the Mozambican bank Banco Terra, the only greenfield operation of Rabo Development. This capital injection is meant to boost the commercial and financial development of the bank.

In 2011, banking specialists stationed abroad worked the equivalent of approximately 100 man-months. At year-end 2011, Rabo Development had 19 managers and long-term consultants working abroad.

Sustainability addressed in personal meetings with customers

Providing socially responsible services is one of Rabobank's priorities. Our customers are also increasingly becoming interested in sustainability issues and responsible banking. At Rabobank International, our advisers now stress the commercial aspects of sustainability in their meetings with customers to a greater extent. Rabobank chooses an engagement approach in its dialogue with customers: we speak with the customer about the opportunities and threats associated with their operations, and address sustainability issues. This dialogue is often motivated by the outcome of the customer assessment system, reports in the media or direct contacts. From a risk perspective, the meetings with customers are meant to gain a better understanding of how customers approach sustainability issues. But meetings are increasingly also being held to explore opportunities for helping customers implement sustainability procedures. By acting as a valuable discussion partner in the area of sustainability, Rabobank International is better positioned to identify risks and provide quality services.

Value chain policy

As a leading global player in the food and agri market, Rabobank International seeks to introduce more sustainability into value chains in the food and agri sector. In the year under review, the value chain policy was further brought to the forefront, for instance through GAIA, our customer assessment system, which helps Rabobank International be a better discussion partner for clients when it comes to sustainability. This is how Rabobank International embeds the implementation of the Food & Agribusiness Principles and its value chain policy in the financing process. Over 85% of all corporate wholesale clients who have received loans are now being assessed using GAIA. All corporate wholesale clients are expected to have been assessed at year-end 2012. GAIA is also used to assess rural and retail clients in Australia and Brazil.

Participation in sector initiatives

Together with other stakeholders, Rabobank International is actively looking for opportunities to make commodity value chains more sustainable. Various initiatives and roundtable meetings were organised to share knowledge and develop principles and criteria for sustainability across the chain. Within this scope, Rabobank has a representative on the Roundtable for Sustainable Palm Oil and 2011 was the first year that we were represented on the Board of the Roundtable for Responsible Soy. The partnership with the World Wildlife Fund (WWF) is also in keeping with creating more sustainable global food and agri chains. The excellent ties between Rabobank International and the WWF are illustrated in their collaboration in the salmon industry in Chile. Both Rabobank and WWF have a strong connection with the Chilean aquaculture sector and are committed to preserving maritime biodiversity in the region. Times are tough in this sector due, in part, to the ISA virus, a serious fish disease. Sustainability is one of the most important elements in rebuilding the sector. Rabobank and WWF have joined forces to increase sustainable practices in the sector. The first meetings with stakeholders were held in 2011. The objective of this project is to support existing, new and potential Rabobank clients by exchanging knowledge and best practices for sustainability in aquaculture and certification by the Aquaculture Stewardship Council. The project helps local businesses implement more sustainable business practices and helps Rabobank offer better client services by increasing sector knowledge and enhancing account management.

Sustainable food security

In the year under review, Rabobank International explored further options for increasing the sustainability of food supplies in a report entitled 'Rethinking the Food & Agri Supply Chain'. Economic growth and changing diets in developing countries will cause major price increases. Producing sufficiently safe and high-quality agricultural commodities at acceptable risks and returns is becoming increasingly difficult. The main changes that are required, have to do with primary production processes and collaboration in the chain. Rabobank International is active throughout the food and agri chain, which makes us well-placed to actively support our clients in implementing the necessary changes.

Financing renewable energy

Renewable Energy & Infrastructure Finance (REIF) is Rabobank International's project finance division. Its key services are advising on, structuring and financing client projects applying proven technology in the renewable energy and infrastructure sectors. Focus is on wind energy, solar energy and biomass applications in Europe, the US and Asia.

Project finance worth more than USD 10 million is governed by the Equator Principles. To monitor compliance with these principles, an independent technical consultant performs an assessment of the project's social and environmental impact. A risk classification (A, B or C) is issued based on this assessment. REIF's portfolio does not contain any transactions that have been classified as A (potentially significant adverse effect). A number of projects have a B classification (potentially limited adverse effect). The other projects have a C classification (potentially minimal to no adverse effect).

Project classification using Equator Principles ⁸	2011	2010	2009	2008	2007
A	-	-	-	-	-
B	17	13	11	9	11
C	10	11	2	7	-
Total	27	24	13	16	11

In 2011, REIF was involved in a number of large-scale projects. In Europe, REIF participated in Global Tech I, one of the largest project-financed and most prestigious offshore wind farms in the world in terms of distance to the coast, water depth, multi-contract structure and technology. The project finance covers both the construction and the operational stages. The renewable energy project involves installing 80 wind turbines with a total capacity of

8 The table shows the classification of projects on the basis of the first loans granted, rather than on the assessments performed.

400 MW, enough to supply green energy to 445,000 households. The wind farm will be built in the North Sea, about 180 kilometres northwest of Bremerhaven (Germany) at a depth of 40 metres. The offshore installation process is scheduled to be completed by June 2013.

Rabobank experienced firm growth in the US and Canada in terms of project finance; both onshore wind energy projects and solar energy projects were funded in these countries. REIF also operates in Asia, where it funded a Chinese onshore wind project in collaboration with the International Finance Corporation (IFC). IFC provides incentives for the development of the private sector in developing countries and in countries in transition. IFC is a division of the World Bank Group (WBG).

International rural and retail banking

In the year under review, initiatives were taken to integrate sustainable practices in the international rural and retail business of Rabobank International, prime examples being the introduction of responsible investment practices at Bank BGZ, and the development and finance of renewable energy solutions for customers of Rabobank N.A. in the US.

Communication and awareness

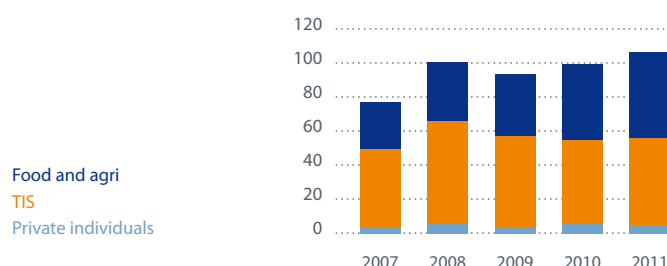
We organised in-house debate sessions for our account managers and credit analysts in the year under review. During these sessions, we not only talked about the commercial opportunities of sustainability, but also about how to manage the associated risks. Rabobank International is regularly involved in different internal and external meetings, seminars and other events. Together with Cooperative Affairs & Sustainability, Rabobank International again co-initiated and co-organised the International Supply Management Congress in 2011.

Increase in share of food and agri in lending

Total private sector lending at Rabobank International increased by 8% in 2011, rising to EUR 106.6 (99.1) billion. In the Americas, lending was up 5% to EUR 41.5 (39.7) billion. In Europe (not including the Netherlands), the growth rate was 9%, propelling private sector lending to EUR 28.0 (25.6) billion. Loans to Dutch corporate clients saw a 17% increase to EUR 13.5 (11.5) billion. Loans to the food and agri sector grew by 15%, rising to EUR 50.9 (44.1) billion, accounting for 47.7% (44.5%) of total lending. Loans to the trade, industry and services (TIS) sector were up 2% to EUR 50.6 (49.7) billion. The economic slowdown was felt in particular in the industrial sector and the wholesale industry. Loans to private individuals stood at EUR 5.2 (5.4) billion.

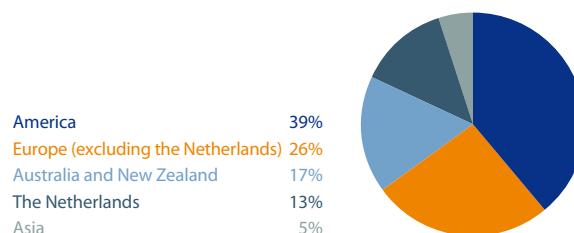
Loan portfolio by sector

in billions of euros



Loan portfolio by region

at year-end 2011



Financial results of wholesale banking and international retail banking

Results (in millions of euros)			
	2011	2010	Change
Interest	2,957	2,813	5%
Commission	586	460	27%
Other results	207	306	-32%
Total income	3,750	3,579	5%
Staff costs	1,116	1,020	9%
Other administrative expenses	847	811	4%
Depreciation and amortisation	109	108	1%
Total operating expenses	2,072	1,939	7%
Gross result	1,678	1,640	2%
Value adjustments	686	597	15%
Operating profit before taxation	992	1,043	-5%
Taxation	211	269	-22%
Net profit	781	774	1%
Bad debt costs (in basis points)	73	64	14%
Ratios			
Efficiency ratio	55.3%	54.2%	
RAROC	10.3%	10.1%	
Balance sheet (in billions of euros)			
	31-Dec-11	31-Dec-10	
Total assets	514.6	440.1	17%
Private sector loan portfolio	106.6	99.1	8%
Capital requirements (in billions of euros)			
Regulatory capital	7.1	6.5	9%
Economic capital	8.8	7.4	19%
Number of employees (in FTEs)	15,747	15,197	4%

Notes to financial results of wholesale banking and international retail banking

Income up 5%

Rabobank International's total income rose by 5% in 2011, reaching EUR 3,750 (3,579) million. Growth in lending contributed to an increase in interest income by 5% to EUR 2,957 (2,813) million. Commission income increased by 27% to EUR 586 (460) million. While other results were high in 2010 because of the sale of part of the equity interest in Yes Bank, they fell by 32% to EUR 207 (306) million in the year under review.

Operating expenses up 7%

Rabobank International saw its total operating expenses increase by 7% to EUR 2,072 (1,939) million in 2011. Periodic salary increases and an increase in employee base by 4% caused staff costs to rise to EUR 1,116 (1,020) million. Acquisitions in 2010 resulted in extra integration expenses in 2011. Higher IT and marketing expenses were a factor in the 4% increase in other administrative expenses to EUR 847 (811) million. Depreciation and amortisation charges stood at EUR 109 (108) million.

Bad debt costs at 73 basis points

Value adjustments at Rabobank International were up 15% in 2011, reaching EUR 686 (597) million, due, in part, to additional allocations to the provision for loan losses at ACCBank. Bad debt costs amounted to 73 (64) basis points of average lending, which is higher than the long-term average of 54 basis points.

Regulatory capital up 9%

Rabobank International's regulatory capital rose by 9% in 2011, landing at EUR 7.1 (6.5) billion. Economic capital, the internal capital requirement, was EUR 8.8 (7.4) billion. The capital rose in both instances due to growth in lending and an increase in market risk because of CRD III.

Outlook for wholesale banking and international retail banking

The economy in the euro zone, and in the Netherlands itself, is not expected to show a quick recovery. Moderate economic growth is forecast for the years to come. As a result, Rabobank International's clients, and Rabobank International itself for that matter, will face a difficult year. Rabobank International will continue to pursue its current strategy, which is based on building long-term relations with clients and focuses on providing a broad range of service in the Netherlands and serving the food and agri sector globally. The Direct Banking activities will be expanded. Rabobank will explore how to widen its operations in regions qualifying as key growth markets with a large food and agri sector in a manner that is in keeping with the strategy.

High level of creditworthiness: risk management

www.rabobank.com/ir

Prudent risk policy and moderate risk profile

Rabobank Group pursues a prudent risk policy with an emphasis on a moderate risk profile. The turnaround in the economic recovery in the second half of the year fuelled an increase in value adjustments. Rabobank Group has only very limited exposure to European government bonds that are currently perceived by the market as being less creditworthy. Greek government bonds and state-guaranteed bonds have been written down by more than 70%. The capital position was strengthened further and the liquidity position remained resolutely robust. In the year under review, EUR 42 billion in long-term funding was raised, which amply exceeded the annual budget.

General

Introduction

In addition to describing the principles underlying our risk management policy and how we organise our risk management, this section covers the specific risks that Rabobank Group incurs, i.e. credit risk, country risk, interest rate risk, liquidity risk, market risk, currency risk and operational risk. These risks will also come into play in 2012. In addition, the bank is exposed to other risks, and its profit and equity depend on the banking environment, general economic conditions, government policies and regulations. Both Rabobank itself and the Dutch Central Bank (DNB) have formulated standards concerning Rabobank Group's organisation and control. Rabobank's organisation and control are subject to the Dutch Financial Supervision Act, including subordinate legislation based thereon, and regulations imposed by both DNB and the Netherlands Authority for the Financial Markets (AFM) in their capacity as regulators. These legal and regulatory requirements form Rabobank Group's framework for the design of the organisation and control of its activities. In 2011, much focus was placed also on the implications of future regulatory requirements, including those of Basel III, the Foreign Account Tax Compliance Act (FATCA) and the Dodd-Frank Act.

Risk management organisation

Risk management is performed at different levels within Rabobank Group. At the highest level, the Executive Board determines the risk strategy, policy principles and limits under the supervision of the Supervisory Board and is advised by the Rabobank Group Balance Sheet and Risk Management Committee, the Rabobank Group Policy Credit Committee and the Group Operational Risk Committee. The Supervisory Board regularly reviews the risk exposure of Rabobank Group's activities and portfolio, with the Audit, Compliance & Risk Committee (ACRC) preparing the decision-making processes in the Supervisory Board. The CFO is responsible for Rabobank Group's risk policy. Two directorates share responsibility for the risk policy. Group Risk Management is responsible for overall risk management and more specifically for the policy regarding interest rate, market, liquidity, currency and operational risks, as well as for the credit

risks at portfolio level. Credit Risk Management is responsible for the policy for accepting credit risk at individual customer level. Moreover, within each group entity, risk management is the responsibility of independent risk management departments.

Risk management principles

Within Rabobank Group, an extensive system of limits and controls has been put in place to manage risk. The primary objective of risk management is to protect Rabobank Group's reputation and financial soundness. The following principles embed the risk policy throughout Rabobank Group.

- Protecting Rabobank's financial soundness: risks need to be controlled in order to limit the impact of potential adverse events on equity and financial results. Risk appetite must be proportional to available capital. An economic capital framework has been developed to quantify this.
- Protecting Rabobank's reputation: reputation is of major importance in banking, and it needs to be managed prudently.
- Risk transparency: identifying all risks is essential in order to obtain proper insight into Rabobank Group's positions. Risks must be weighed as accurately as possible to enable sound commercial decisions to be made.
- Management accountability: each division of Rabobank Group is individually accountable for its results as well as for the risks associated with its operations. A balance must be struck between risk and return, and this must of course comply with the relevant risk limits.
- Independent risk control: this is the structured process of identifying, measuring, monitoring and reporting risk. In order to ensure integrity, the risk management departments operate independently of the commercial activities.

Risk management cycle

Rabobank identifies and manages the risks it incurs on an ongoing basis. This has led to a comprehensive risk management model, which starts from a risk management cycle consisting of several steps: determining the risk appetite, stress-testing different scenarios, preparing full-scope risk assessments for each group entity and for the Group as a whole, and measuring and monitoring risks. As part of this, Rabobank follows a risk strategy that is designed to ensure its continuity as a going concern and is aimed at protecting profits and profit growth, maintaining sound balance sheet ratios and protecting its identity and reputation. By building on this strong foundation for risk management, Rabobank is in a position to make the right strategic choices and organise its processes to further improve its client services.

Stress tests form an essential part of the risk management framework. Stress tests are used to measure the impact of extreme, yet plausible events on Rabobank. One key area of focus in 2011 was the performance of stress tests at the request of the European Banking Authority (EBA), which resulted in two publications demonstrating the bank's low risk profile. In the first EBA stress test, our core Tier 1 ratio after two years of stress landed at 10.8%, more than twice the minimum requirement of 5% that was needed to pass the stress test. The second stress test, aimed at sovereign exposures, resulted in a core Tier 1 ratio of 12.3%, well above the minimum requirement of 9%.

A number of internal stress scenarios were tested in 2011 as well. All stress tests have in common that the principles underlying the scenarios are first transposed into macro-economic effects. The macro-economic figures are then used to determine the impact on the bank. Each scenario is reviewed separately for its impact on the bank's statement of income, equity and solvency. The outcomes of the scenarios were reported to, and discussed with, the Executive Board, the Audit, Compliance & Risk Committee and the Supervisory Board. In addition to the group wide stress-testing activities, stress scenarios were also developed in 2011 for the different portfolios within the bank.

Risks

Credit risk

Prudent credit policy, embedding credit risk management

Credit risk is defined as the risk that the bank will suffer economic losses because a counterparty cannot fulfil its financial or other contractual obligations arising from a credit contract. Credit is any legal relationship on the basis of which Rabobank, in its capacity as a bank, has or could have a claim against a debtor as a result of providing a product. In addition to loans and facilities (committed or uncommitted), credit as a generic term, also includes guarantees, letters of credit, derivatives and the like. Rabobank Group has a robust framework of policies and processes in place to measure, manage and mitigate credit risks. Rabobank Group has three Policy Credit Committees (PCCs): the Rabobank Group PCC, the Rabobank International PCC, and the Member Banks PCC. The Rabobank Group PCC determines the credit risk policy at group level. Within this framework, the group entities define and establish their own credit policies. In this context, the Member Banks PCC is responsible for domestic retail banking, and the Rabobank International PCC for wholesale banking and international retail banking. In the Rabobank Group PCC, the Executive Board is represented by three members. This committee is chaired by the CFO, as are the Rabobank International PCC and Member Banks PCC. For the rest, the PCCs are composed of representatives of Rabobank Group's most senior management levels. Rabobank Group's prudent policy for accepting new clients is characterised by careful assessment of clients and their ability to repay any credit that is granted. As a result, the loan portfolio has a relatively low risk profile. Rabobank Group aims to have long-term relationships with clients that are beneficial for both the client and the bank. Approval of larger credit applications is decided on by committees. A structure consisting of various committee levels has been established, with the competent committee being determined by the amount of the credit application. The Executive Board itself decides on the largest credit applications. With regard to corporate loans, a key concept in Rabobank Group's policy for accepting new clients is the 'know your customer' principle, which means that loans are only granted to corporate clients whose management, including their integrity and expertise, is known and considered acceptable by the Rabobank Group. In addition, Rabobank Group closely monitors developments in the business sectors in which its clients operate enabling it to adequately assess the financial performance of its clients. Corporate social responsibility (CSR) implies responsible financing, and, accordingly, corporate responsibility guidelines also apply to the lending process.

Credit risk and Basel II

Rabobank Group uses the Advanced Internal Rating Based (Advanced IRB) approach for credit risk. This is the most risk-sensitive of the Basel II Credit Risk Approaches. Rabobank Group has enhanced its risk management further by combining Basel II compliance activities with the implementation of a best-practice framework for economic capital. The main Basel II parameters as far as credit risk is concerned are EAD (Exposure At Default), PD (Probability of Default) and LGD (Loss Given Default). The economic capital and Risk Adjusted Return On Capital (RAROC) are determined partly on the basis of these parameters. A significant advantage associated with the use of economic capital is a streamlined, efficient approval process. Using the Basel II parameters and RAROC helps credit analysts and credit committees make well-considered decisions. Every group entity has established a RAROC target at corporate client level. Next to credit quality, this is an important factor in taking decisions on specific credit applications. In addition, the Basel II parameters mentioned above are an important element of management information at portfolio level. EAD is the best estimate of the extent to which the bank may be exposed in the event and at the time of a counterparty's default. At year-end 2011, the EAD of Rabobank Group's total Advanced IRB loan portfolio was EUR 606 (546) billion. This EAD includes the expected future usage of unused credit lines.

As part of its approval process, Rabobank Group uses the Rabobank Risk Rating system, which indicates the counterparty's PD over a one-year period. The counterparties are categorised in 25 rating classes, which include four default ratings. These default ratings are assigned if the client defaults, the form of which varies from payment arrears of 90 days to bankruptcy.

At year-end 2011, the EAD weighted average PD of Rabobank Group's total performing Advanced IRB loan portfolio stood at 1.06% (1.21%). The improvement in the PD was caused by a change in the PD of existing debtors as well as by changes in the composition of the portfolio (inflow and outflow of clients), the implementation of new models and policy changes.

It should be noted that this PD only reflects the extent to which the bank expects clients to be able to fulfil their contractual obligations. The PD says nothing about the potential loss, as in many cases Rabobank Group has obtained additional collateral. This is reflected in the LGD, which also takes the possibility of restructuring into consideration. The LGD is the estimated economic loss that will result if the debtor defaults, expressed as a percentage of the EAD. At year-end 2011, the LGD percentage of Rabobank Group's total Advanced IRB portfolio was 22.0% (22.0%).

Impaired loans and allowance for loan losses

Once a loan has been granted, ongoing credit management takes place, as part of which new information, both financial and non-financial, is assessed. The bank monitors whether the client is fulfilling all its obligations and whether it can be expected that the client will continue to do so in future. If not, credit management is stepped up, monitoring becomes more frequent, and a closer eye is kept on credit terms. Guidance is provided by a special unit within Rabobank Group, particularly in the case of larger, more complex loans granted to businesses whose ability to continue as a going concern is at stake. If it is likely that the debtor will be unable to fulfil all its contractual obligations to Rabobank Group, this is considered impairment. If necessary, an allowance is formed that is charged to income.

The provision for loan losses consists of three components, as described below.

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

Any loans, amounts due from banks and loan-related obligations that have been provided for qualify as impaired. At year-end 2011, this involved an amount of EUR 9,958 (8,049) million. The allowance for loan losses stood at EUR 3,222 (2,779) million, which corresponds to a 32% (35%) coverage. Over and above this allowance, additional coverage was raised through collateral and other securities. It should be noted that Rabobank Group takes allowances at an early stage and applies the one-obligor principle, which means that the exposure to the debtor and all counterparties belonging to the same group is taken into account. In addition, the full exposure to the client is qualified as impaired, even if adequate coverage is available for part of the exposure in the form of security or collateral. At year-end 2011, impaired loans corresponded to 2.2% (1.8%) of the private sector loan portfolio.

Value adjustments

in millions of euros	2011	2010
Domestic retail banking	648	358
Wholesale banking and international retail banking	686	597
Leasing	144	214
Real estate	129	63
Other	-1	2
Rabobank Group	1,606	1,234

Bad debt costs

in basis points of average lending	2011	2010
Domestic retail banking	22	13
Wholesale banking and international retail banking	73	64
Leasing	58	90
Real estate	69	36
Rabobank Group	37	29

Driven by the adverse economic developments due to the euro crisis, bad debt costs rose relatively sharp in the last six months of 2011; they were 29 basis points in the first half of 2011 and 45 in the second half of the year. The ten-year average (period 2001-2010) of bad debt costs is 24 basis points. This pattern was seen across the organisation. On an annual basis, the leasing operations were the only ones to show a reduction in bad debt costs compared to 2010. This was attributable in particular to a relatively high release and a substantial amount in recovered bad debts in the first six months of the year. The real estate business suffered from pressure on the property market, nearly doubling bad debt costs in that division compared to 2010.

Impaired loans and allowance for loan losses (in millions of euros)

	31 December 2011		31 December 2010	
	Impaired loans	Allowance	Impaired loans	Allowance
Domestic retail	4,559	1,543	3,577	1,376
Wholesale banking and international retail banking	3,493	999	2,649	780
Leasing	832	474	960	464
Real estate	1,066	205	793	95
Other	8	1	70	64
Rabobank Group	9,958	3,222	8,049	2,779

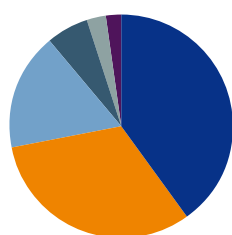
Structured credit

Structured credit exposure in the trading and investment books stood at EUR 4.6 (5.8) billion at year-end 2011.

Structured credit exposure
in billions of euros at year-end 2011

Non-subprime RMBS
CDO/CLO and other
corporate exposures
Commercial real estate
US subprime
ABS CDO
Other ABS

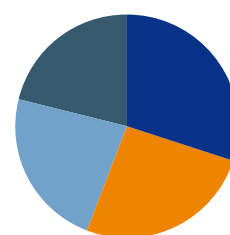
1.8
1.5
0.8
0.3
0.1
0.1



Structured credit exposure rating distribution
at year-end 2011

AAA
A
AA
Below A

30%
26%
23%
21%



Monoline insurers are counterparties in some credit default swaps used to hedge the credit risk of certain investments. The counterparty risk on the monoline insurers before provisions was EUR 1,313 (1,330) million at year-end 2011. The total allowance stood at EUR 1,140 (1,114) million, reducing the remaining counterparty risk to EUR 173 (216) million. This counterparty risk is caused by a drop in the fair value of the underlying investments or by the potential emergence of a claim for payment against these insurers because of other insured investments. In determining the economic counterparty risk, time aspects and the credit quality of the investments have been taken into consideration. As the largest part of the counterparty risk has been provided for, further downgrades have only limited impact.

Country risk

With respect to country risk, a distinction is made between collective debtor risk and transfer risk. Collective debtor risk is the risk that a large number of debtors in a particular country are unable to fulfil their obligations owing to the same reason e.g. war, political or social unrest, natural disasters, or government policy that fails to create macro-economic and financial stability. Transfer risk relates to the possibility of foreign governments placing restrictions on funds transfers from debtors in that country to creditors abroad. Rabobank Group uses a country limit system to manage collective debtor risk and transfer risk. After careful review, relevant countries are given an internal country risk rating, after which general limits and transfer limits are set. Transfer limits are introduced based on the net transfer risk, which is defined as total loans granted less loans granted in local currency, guarantees, other coverage obtained to cover transfer risk and a deduction related to the reduced weighting of specific products. The limits are allocated to the offices, which are themselves responsible for the day-to-day monitoring of loans that have been granted and for reporting on this to Group Risk Management. At Rabobank Group level, the country risk outstanding, including the additional capital requirement for transfer risk, is reported every quarter to the Rabobank Nederland Balance Sheet and Risk Management Committee and the Country Limit Committee.

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

The collective debtor risk for non-OECD countries stood at EUR 28.1 (23.8) billion at year-end 2011. The net transfer risk before provisions for non-OECD countries amounted to EUR 12.4 (9.3) billion at year-end 2011, i.e. 1.7% (1.4%) of total assets.

Risk in non-OECD countries (in millions of euros)

Regions	Europe	Africa	Latin America	Asia/Pacific	Total	31 December 2011
						In % of balance sheet total
Economic country risk (excluding derivatives) ⁹	921	609	12,286	14,275	28,091	3.8%
Risk mitigating components:						
- local currency exposure	114	95	6,306	3,967	10,482	
- third party coverage of country risk	215	333	776	1,373	2,696	
- deduction for transactions with lower risk	-	84	895	1,502	2,481	
Net country risk before provisions	593	97	4,310	7,434	12,433	1.7%
						In % of total allowance
Total provisions for economic country risk	-	-	197	116	313	9.7%

Rabobank Group's exposure to government bonds issued by GIIPS countries was EUR 349 million at year-end 2011. We also have limited exposure to Greek and Portuguese state-guaranteed bonds. The Portuguese state-guaranteed bonds were repaid in February 2012. The bonds issued by financial institutions in the countries referred to are mainly Spanish secured bonds. The issuing institution has provided additional security.

⁹ Total assets, plus guarantees issued and unused committed credit facilities.

Government exposure at year-end 2011 (in millions of euros)

Country	Government bonds	State-guaranteed bonds	Bonds issued by financial institutions	Total	Cumulative changes through profit or loss at 31 December 2011
Greece	49	38	-	87	227
Ireland	60	-	31	91	8
Italy	200	-	55	255	-
Portugal	19	60	42	121	23
Spain	21	23	1,450	1,494	116
Total	349	121	1,578	2,048	374

Based on our accounting policies, it has been established with respect to the Greek and Portuguese government bonds and a number of bonds issued by financial institutions that impairment losses need to be recognised; these positions have been impaired to their fair market value at 31 December 2011. The average valuation of the Greek government bonds and state-guaranteed bonds was 28% at year-end 2011. Rabobank Group is currently exploring different alternatives for its contribution to resolving the Greek debt crisis.

Exposure to European government bonds other than the Dutch, German and French is very limited. There is no exposure to Cyprus, Hungary and Romania. The portfolio of French government bonds was sharply reduced in 2011 to approximately EUR 6 (11) billion.

Interest rate risk

Interest rate risk is the risk that the bank's financial results and/or economic value – given the structure of its statement of financial position – may be adversely affected by developments on the money and capital markets. Rabobank Group's interest rate exposure results mainly from differences between interest rate maturities of loans granted and funds entrusted. If interest rates change, it is possible to adjust the rate for certain liabilities, such as deposits, immediately. By contrast, many assets, such as mortgages, have longer fixed-interest periods, and the interest rates for these loans cannot be adjusted until the next interest reset date. In addition, the interest rate risk position is also affected by client behaviour. For example, clients may repay loans ahead of schedule, or withdraw savings earlier than expected. A key component in the management of interest rate risk is the treatment of variable savings. For these funds, the behaviour differs from the contractual terms, which makes additional modelling necessary.

Where possible, Rabobank Group's interest rate risk is concentrated within treasury departments, which manage the interest rate risk position using hedging transactions. The extent and timing of any hedging is dependent on the view on future interest rates and the expected balance sheet development, among other things. Group entities have limited freedom to make their own choices within the set constraints.

Rabobank Group uses three key indicators for managing, controlling and limiting short and long-term interest rate risk: Basis Point Value (BPV), Equity at Risk (EatR) and Income at Risk (IatR). These indicators measure potential losses due to interest rate changes on a monthly basis. IatR is a key interest rate risk indicator for the bank's short term earnings. BPV and EatR are key interest rate risk indicators for economic value from a more longer-term perspective. BPV is a measure of the absolute loss in market value of equity in the event of a 1-basis-point increase across the yield curve. EatR measures the percentage decrease in the market value of equity in the event of an increase in the yield curve by 1 percentage point. IatR is a measure that Rabobank uses to estimate the impact of the greatest negative variance with projected interest income over the next 12 months in a scenario whereby the yield curve shows a gradual increase by 2 percentage points over that period and a scenario whereby the yield curve shows a gradual decrease by 2 percentage points. The scenarios do not consider active management intervention, but they do allow for changes in the repayment and savings behaviours of customers due to the interest rate developments and for changes in the pricing policy of

savings products. In order to identify the potential impact on earnings caused by interest rate changes, additional scenarios are worked out besides the two standard scenarios; these additional scenarios include a yield curve steepening and flattening scenario. Rabobank Group also calculates and maintains economic capital to cover interest rate risk and performs periodic risk assessments in addition to the monthly interest sensitivity tests, in which process the effects of one or more macro-economic scenarios on interest earnings are extrapolated.

BPV, EatR and latR were well within their set limits at group level in 2011. Rabobank Group's BPV never exceeded EUR 25 million in 2011, with EatR ranging between 2.2% and 5.0% in the year under review. latR stayed below EUR 384 million during 2011. This involved the scenario whereby the yield curve shows a gradual decrease by 2 percentage points. The potential impact of other types of changes in the yield curve, such as it steepening or flattening, did not cause this amount to be exceeded either at year-end 2011. The risk figures mentioned do not take into account any changes in positions if the projected scenarios were to occur.

Funding and liquidity risk

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

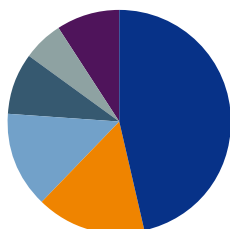
Global Financial Markets, a Rabobank International division, is in charge of the day-to-day management of the short-term liquidity position. Issuing long-term funding and managing the structural position are responsibilities of Treasury Management, which reports to the CFO. In line with the Basel principles, the policy is aimed at financing long-term loans by means of stable funding, specifically amounts due to customers and long-term funding from the professional markets. Rabobank Group's funding and liquidity risk policy also entails strictly limiting outgoing cash flows within the wholesale banking business, by maintaining a large liquidity buffer and by raising sufficient long-term funding in the international capital markets. The international retail banking activities are considered to be largely self-funding by raising money from customers.

Several methods have been developed to measure and manage liquidity risk. Methods used include the CA/CL (core assets/core liabilities) method. This analysis is based on the cash flow schedule of all assets and liabilities. Using various time periods, a calculation is made of the assets, unused facilities and liabilities that are likely to appear on the balance sheet after running implied, carefully defined stress scenarios. These remaining assets and liabilities are defined as core assets and liabilities. The ratio of core assets to core liabilities is the liquidity ratio. Given the highly conservative weightings used, a ratio of less than 1.2 is considered adequate. In 2011, this was once again the case in the scenarios used. Developments in the second half of 2011 in particular fuelled an additional inflow of amounts due to customers, specifically at the wholesale banking activities. These funds were used to further strengthen

the liquidity buffer. From the perspective of the liquidity requirements of the Dutch Central Bank, our liquidity position also qualifies as comfortable and our liquidity buffer as sizable, with available liquidity exceeding the requirement by 40% on average. Our long-term funding activities were successful too. Rabobank Group managed to issue EUR 42 billion in unsecured long-term bonds in 17 different currencies. By operating on a global scale in this regard, we prevent the bank from becoming too reliant on a single source of funding. Equity was boosted by issuing hybrid capital instruments for an amount of USD 4 billion in total.

Senior unsecured funding by currency
at year-end 2011

Euro	47%
Pound Sterling	16%
US dollar	14%
Australian dollar	8%
Japanese yen	6%
Other	9%



Investor relations and rating agencies

Rabobank attaches great importance to high-quality, transparent communication with institutional investors and other financiers and providers of capital, and rating agencies. The Investor Relations department is responsible for supplying and explaining all relevant information requested by investors. On a global level, presentations are used to inform institutional investors and other financiers and providers of capital of financial developments at Rabobank Group. In addition, the department provides information on developments at Rabobank Group to institutional investors and providers of capital through a website set up specifically for this target group as well as through a digital newsletter. Activities in this area were stepped up over the past few years because today, more than ever before, investors want to be certain that Rabobank continues to have a low risk profile. The fact that our efforts in this regard are paying off was reflected in being awarded the Best Company Award by the Netherlands Investor Relations Society (NEVIR).

Market risk

Market risk concerns changes in the value of the trading portfolio as a result of movements in market prices relating to interest rates, equities, credit spreads, currencies and commodities, among other things.

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

In 2011, Value at Risk fluctuated between EUR 10 million and EUR 24 million, the average being EUR 16 million. During the year under review, this figure stayed well within the set limit, which was EUR 40 million at year-end. As a result, a maximum loss of EUR 24 million can be expected on a single day under normal circumstances, subject to a confidence level of 97.5%. Under this calculation method, Value at Risk is the result of both historical market trends and the positions taken. The fluctuations in Value at Risk during 2011 were attributable to market developments and changes in positions.

Value at Risk

in millions of euros



Value at Risk can be broken down into a number of components, the most important of which are changes in interest rates and credit spreads. Opposite positions in different books offset each other to a certain degree, resulting in a diversification benefit and reducing the total risk. At year-end 2011, consolidated Value at Risk was EUR 16.5 million.

Breakdown of Value at Risk

in millions of euros	31 December 2011
Credit spread	7.3
Currency	1.3
Equities	5.2
Interest rates	15.8
Commodities	0.3
Diversification	-13.3
Total	16.5

Besides Value at Risk, other risk indicators are also important for measuring market risk. BPV, for instance, is a measure of the change in the value of positions if there is a parallel increase in the yield curve of 1 basis point. The table below shows these positions for each key currency.

Basis point sensitivity

in millions of euros	31 December 2011
Euro	-0.7
US dollar	-0.0
Pound Sterling	-0.0
Australian dollar	-0.1
Japanese yen	-0.1
Other	-0.2

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

Operational risk

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

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

To implement this, Rabobank uses the three-lines-of-defence model. The group entities are the first line of defence. They bear full responsibility for daily risk acceptance, comprehensive risk management and risk mitigation within the set risk appetite. The second line of defence is formed by the risk management functions at entity level and Group Risk Management. The group entities' risk management functions advise on risks and challenge the first line of defence on how to manage risks at entity level. Group Risk Management is responsible for the group-wide risk policy and challenging the group entities and local risk management functions on their risk management. The internal audit functions at group and entity level make up the third line of defence.

The Operational Risk Committee is responsible for defining operational risk policy and its parameters at group level. In addition, Group Risk Management reports on developments in group-wide operational risks once every quarter. Within the group entities, risk management committees have been established to identify, manage and monitor, among other things, the operational risks, including business continuity and fraud risks, of the relevant entity.

Furthermore, product approval committees have been established at various levels within the bank. These committees provide an additional safeguard with respect to the quality of new product and process launches, and changes in existing products and processes.

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

Various supervisory authorities in different jurisdictions are examining the daily setting of interest rates known as LIBOR (London Interbank Offered Rate). Rabobank participated, as it is still doing to date, in LIBOR panels for eight currencies. There are LIBOR panels for a total of ten currencies. The examinations are aimed at the contributions various panel banks, which include Rabobank, have made over the past years. The daily LIBOR interest rates were set on the basis of these contributions from panel banks. To the extent known, the question is investigated as to whether there have been attempts to manipulate these rates. Rabobank cooperates fully to these investigations. Furthermore, Rabobank has been named as a defendant in a number of civil proceedings in the United States that concern USD-LIBOR interest rates. Rabobank is confident that the claims will be held unfounded and is conducting its defence as such.

Currency risk

Currency risk is the risk of changes in income or equity as a result of currency exchange movements. In currency risk management, a distinction is made between positions in trading books and positions in banking books. In the trading books, currency risk is part of market risk and is controlled using Value at Risk and other limits, as are other market risks. Value at risk for currency risk in the trading books stood at EUR 1.3 million at year-end 2011. In the banking books, the only risk is translation risk related to non-euro net investments in foreign entities and hybrid capital instruments that are not denominated in euros. To monitor and manage the translation risk, Rabobank Group uses a dual-track approach to protect its capital position. The hedge strategy is to cover the risk associated with non-euro net investments in foreign entities while protecting the capital ratios against the effects of exchange rate movements wherever possible.

Sound sustainability policy

Sustainability profile

Rabobank has selected sustainability as one of the core values that forms the basis for its services. In this way, the bank has given expression to its corporate social responsibility (CSR). Rabobank Group's primary focus is on its clients and society, and the bank contributes to a sustainable increase in prosperity and welfare. Based on this core value, and given its leading position in the global food and agri business, Rabobank wants to contribute to the sustainable feeding of the nine billion mouths that will live on this planet in a few decades' time.

Cooperative, responsible and sustainable

As a major financial institution, Rabobank also wants to take responsibility by providing services in a socially responsible way: focusing on the interests of the customer, with an eye for society, both now and in the future. Rabobank can also be expected to make an active contribution towards the sustainable development of the spheres of activity in which it operates. In this context, the IN2030 project has been designed to help the bank and its clients form a picture of socio-economic developments in the places where they live and work. In developing countries, the bank uses its knowledge and skills in the area of cooperatives to help people take their first steps on the road towards economic development.

Rabobank Group Code of Conduct

Rabobank Group sets itself high standards for the way it deals with customers, partners, employees and society in general. These standards are reflected in the Rabobank Group Code of Conduct, which also includes Rabobank Group's core values:

- integrity: in its dealings, the bank wants to be fair, honest, conscientious and trustworthy;
- respect: the bank's basis for collaboration is respect, appreciation and commitment;
- professionalism: the bank serves its customers by offering high-level knowledge and facilities;
- sustainability: the bank wants to help build a sustainable society by making contributions in economic, social and ecological areas.

Creating and maintaining a focus on the Rabobank Group Code of Conduct and the associated core values is an ongoing process that continued to receive a great deal of attention in 2011. During the year under review, Rabobank's values and standards were discussed by 82% of the local Rabobanks. Senior management training programmes focused actively on these values and standards, as did the TalentCooperative, the induction programmes for employees and the CSR e-learning tool. The CSR e-learning tool became available in the course of 2011, and by the end of the year it had been used by 2,006 employees. Encouraging a dialogue on complex, sensitive issues is fundamental. In 2011, there was a special focus on compliance with the declaration of moral and ethical conduct dictated by the Dutch Banking Code, which ties in closely with the Rabobank Group Code of Conduct. In 2012, additional attention will be paid to exploring the impact of the Code of Conduct. With regard to Rabobank International, a start was made on ensuring that the Code of Conduct was even further embedded, in the form of specifically bringing the core values and the code to the attention of Rabobank International employees, together with other activities.

Sustainable food security

One of the biggest issues the world faces is how it will be able to feed nine billion people by 2050. Not only will the global population increase by two billion, but rising prosperity will also lead to an increase in the consumption of animal produce and fruit and vegetables, rather than starchy cereal products and root vegetables. Given these developments and the growing demand for grain, sugar and oilseed for the production of biofuels, food production will need to increase by some 70% in the future.

‘Sustainability and Security of the Global Food Supply Chain’, a Rabobank study published at the end of 2010, was a wake-up call for stakeholders within the food and agri sector that demonstrated the need for food chains to become more sustainable from the perspective of their strategic interest in global political and economic stability. During the year under review, a strategy for sustainably increasing food production was looked into further. It has become increasingly clear that the solution to the global food problem is in the hands of small agribusinesses that account for 90% on average of all agribusinesses in developing countries, where they farm 60% to 80% of the agricultural land. New forms of collaboration, both among farmers (cooperatives) and throughout the value chain, are needed in order to harness the potential these businesses have for food production. Major investments are required. The good news is that the international agricultural sector and the public sector are becoming more and more aware of this fact and are cautiously experimenting.

Socially responsible services: investment

In 2011, Rabobank Nederland chose to structure all of its investment services according to three sustainability criteria. First, Rabobank asked investment fund providers to sign the United Nations Principles for Responsible Investment. Providers that sign the principles give a commitment to take environmental, social and corporate governance issues into account in their investment practices.

The second element, the Global Compact (GC), is another initiative of the United Nations. The GC covers aspects such as respecting human rights, combating corruption and child labour, and encouraging the diffusion of environmentally friendly technologies. Rabobank uses these guiding principles as a frame of reference in its investment services.

The final element is Rabobank’s policy on investing in the defence industry. This states that the bank does not provide finance to businesses involved in the production of controversial weapons, such as landmines, cluster munitions, nuclear weapons and biological weapons.

Research has shown that investing responsibly does not have an adverse effect on returns. On the contrary, there is an increasing amount of evidence that businesses that focus on sustainability perform better than average in terms of ‘normal’ business variables and market position. This is because they have a more motivated workforce, have lower financing costs and are less likely to receive claims for compensation.

Socially responsible services: corporate lending

Implementing corporate social responsibility in all services is a substantial task that Rabobank has been working on for some time. The introduction of corporate social responsibility in investment services in 2011 followed a similar process concerning services to our corporate clients. Rabobank offers transparent services and support to clients looking to make their own businesses more sustainable, working both with them and for them.

CSR policy

The OECD Guidelines for Multinational Enterprises were revised and re-adopted in 2011. As part of this, among other things the new UN Framework for Business and Human Rights came into effect (the ‘Ruggie Framework’). Changes such as these to international standards and rules mean that internal regulations need to be updated on a regular basis. For this reason, in 2011 all of the international treaties signed by Rabobank were transposed into a revision of the internal CSR guidelines for lending and asset management. We also developed a coherent framework for our CSR policy, as outlined below.

Central CSR themes and CSR policies			
Rabobank core values 1 Respect 2 Integrity 3 Professionalism 4 Sustainability	Food & Agribusiness Principles	CSR central themes 1 Human rights 2 Environment 3 Animal welfare 4 Integrity 5 Consumer interests	Supply chain policies Aquaculture Biofuels Cocoa Coffee Cotton Fishing Forestry Mining Oil and gas Palm oil Soy Sugarcane
	Adequate and safe production of food		
	Responsible use of natural resources		
	Role in helping public and clients to make well-considered choices		
	Responsible animal husbandry		
Signed covenants include: UN Global Compact UN PRI UNEP Statement Equator Principles ILO OECD Guidelines	Promoting social welfare		Exclusion policy

Based on Rabobank's cooperative beliefs and strategic ambition, four core values have been formulated. These are respect, integrity, professionalism and sustainability. It is important to Rabobank that clients can recognise their bank in these core values. They form the foundations of the group-wide code of conduct and the basis for the actions of Rabobank's employees. In addition, Rabobank Group subscribes to a range of internal and external codes on general service provision principles, including guidelines issued by the United Nations, the OECD, the International Chamber of Commerce and the International Labour Organisation. For a list of these guidelines and principles, please log on to www.rabobank.com/csr/policy/codes_and_guidelines/.

Focus on key performance indicators (KPIs)

Rabobank's ambition of becoming one of the most sustainable financial institutions in the world will again be the subject of a review by a rating agency again in 2012. The four central themes of the Rabobank CSR policy are 1) working towards delivering a secure and sustainable food supply chain; 2) innovating production methods and encouraging the efficient use of renewable energy; 3) promoting equal opportunities and economic participation; and 4) encouraging local cohesion and partnerships both in and outside the Netherlands. Within Rabobank, this ambition has been transposed into a number of key performance indicators (KPIs):

1. helping clients move towards sustainable business operations;
2. helping clients make responsible investments;
3. supporting community partnerships; and
4. providing climate-neutral and energy-efficient services.

These KPIs serve as the starting point for each unit's CSR policy. The extent to which CSR objectives have been achieved is reported to the Executive Board and the Supervisory Board on a quarterly basis. The KPIs relate to the bank's core business and the support provided to our clients. Each of the units in our Group implements them in its own appropriate way. The KPIs therefore serve more as a source of inspiration than as a task-setting framework. This makes it difficult to set measurable targets at group level, although it is possible to determine at an indirect level whether any progress has been made with the indicators, for example whether clients are satisfied with our sustainable, cooperative services, how stable we are as a financial institution, and how transparent our CSR policy is.

In 2012, Rabobank Group's sustainability and cooperative policy will be integrated and also become more closely geared to both our way of banking and our key role in international food security. This may have an impact on the KPIs for CSR.

Progress into day-to-day operations

In 2011, policy frameworks were improved along with the internal monitoring system and the KPIs for sustainability. In addition, the internal monitoring of KPIs was incorporated more effectively into the control cycle and the management reports to the Executive Board. During the year under review the group entities took steps to integrate sustainability more in day-to-day commercial and other operations. Furthermore, the strive towards achieving the sustainability ambition at group level, and the contribution made by individual group entities towards this, can be clearly seen. While this is an improvement on previous years, there are still some group entities that are not yet at the required level. In this context, it should be noted that reporting on the KPIs and targets is not a goal in itself but a means of monitoring trends in the area of sustainability.

The 'CSR made-to-measure project' for local Rabobanks was launched and implemented in 2011. In this project, 50 local Rabobanks with above-average scores in the internal sustainability themes report go into greater depth on increasing sustainability in the policy plan. Two of the participants in the made-to-measure project, Rabobank Flevoland and Rabobank Ridderkerk Midden-IJsselmonde, provide interesting examples. During the year under review, Rabobank Flevoland set up a sustainability desk. Flevoland is the Dutch province that generates the largest amount of renewable energy, and, with many sustainable projects in its portfolio, Rabobank Flevoland launched its sustainability desk in 2011, bringing together all of Rabobank's know-how and green products, ranging from investment funds to insurance policies. In this way, businesses wanting to make their operations more sustainable are provided with comprehensive advisory services.

In 2011, Rabobank Ridderkerk Midden-IJsselmonde became the principal banker to the municipality of Barendrecht, which wants to become one of the leading municipalities in the Netherlands terms of sustainability. CSR was therefore a specific consideration in its decision to choose Rabobank. By acting as principal banker, the bank wants to make an active contribution towards the implementation of sustainability in the municipality. In this way, Rabobank is combining its local presence and experience with specific knowledge of the local government sector. All local Rabobanks will be provided with details of the best practices from the CSR made-to-measure project. In 2012, the project and the associated assistance will once again be available to a group of local Rabobanks.

In summary, the improvement of the policy frameworks, the adjustment of the CSR monitoring system, the improvements concerning the KPIs and reporting to the Executive Board, and the CSR made-to-measure project were four coherent projects which were the subject of specific investments in 2011 and which reinforced the link between the CSR themes and Rabobank's commercial activities.

Scores for CSR KPIs showed a positive trend in 2011. With regard to the first CSR KPI, helping clients move towards sustainable business operations, the total amount of sustainable financing stood at EUR 6.2 billion, up from EUR 5.7 billion. The second CSR KPI, helping clients make responsible investments, showed an increase in sustainable assets under management and held in custody from EUR 52.4 billion to EUR 61.6 billion. As regards the third CSR KPI, supporting community partnerships, the total cooperative dividend in the year under review rose from EUR 116 million to EUR 122 million. This rise was primarily attributable to the cooperative funds of local Rabobanks. Finally, the fourth CSR KPI, providing climate-neutral and energy-efficient services, showed that the target for reducing carbon emissions, which was to be attained by the end of 2013, was already achieved in 2011.

Rabobank has the strategic ambition of obtaining a leading position among the top three banks in terms of sustainability in 2012. Although Rabobank's exact ranking is unimportant to its clients, measuring and comparing its performance with a reliable independent sustainability benchmark is a useful way of continuing to improve performance in the area of sustainability. The yardsticks that Rabobank uses for measuring performance include the SAM sustainability rating. No new SAM rating was determined in the year under review. In 2010, Rabobank came fourth out of 135 global financial institutions. An important barometer in the Netherlands is the annual Transparency Benchmark survey organised by the Ministry of Economic Affairs, Agriculture and Innovation. Rabobank was ranked eleventh overall in the year under review and was the highest ranking bank.

Organisation and management

The organisation and processes of Rabobank Group's sustainability policies and processes did not undergo any material changes in the reporting period. For more information, please visit www.rabobank.com/csr/policy/organisation.

The Cooperative & Governance and Corporate Social Responsibility departments were merged in 2011 to create the Cooperative & Sustainability department. This was done because, in terms of strategy, Rabobank's cooperative values and sustainability principles are closely connected.

Dialogue with society

Rabobank is a socially responsible bank that actively enters into dialogues with stakeholders on social trends and issues. These dialogues lead to outcomes that are incorporated into the sustainability policy and communicated to employees, enabling them to deal responsibly and professionally with the dilemmas they face when providing services.

Dialogue about issues that matter

The materiality principle forms the starting point for our dialogue with stakeholders. What this means is that Rabobank wants to enter into a dialogue concerning issues that have a major impact on the bank, its stakeholders and society at large. Rabobank's aims in this area are based on the issues that stakeholders believe are important as well as on the Group's own expectations for the future, external sources and research.

The groups of stakeholders that have been identified for this purpose are customers, employees, client interest groups, government agencies and civil society organisations. In some cases, departments responsible for commercial issues conduct dialogues with stakeholders comprising clients and client interest groups. In addition, Rabobank has entered into dialogue with a number of civil society organisations to discuss various social issues and the Group's social policy.

Active involvement in services

Stakeholders such as member councils and youth councils of local Rabobanks are actively involved in the bank's policy-making and provision of services. In addition, the sustainability policy is discussed with employee representation bodies, and civil society organisations are involved in the development of policy in areas such as human rights, biodiversity and the defence industry.

Social issues and policy development

The following social issues are relevant to all core activities and are at the centre of Rabobank's social policy: human rights, environment and climate, animal welfare, consumer interests (transparency of services, product safety, food security), integrity (including combating corruption), and the policy on the defence industry. New international policy frameworks, set by intergovernmental organisations (United Nations, OECD), and sustainability standards (IFC Performance Standards, ISO26000, Equator Principles, GRI) related to these issues are being introduced constantly. Sustainability standards are becoming more and more specific and are being harmonised to an increasing extent. During the year under review, Rabobank started to adjust its policy in keeping with such external frameworks. Among other things, policy on human rights and biodiversity was stepped up. The policy will continue to be adjusted in 2012 to reflect these external developments.

Dialogue with external stakeholders

The central themes of Rabobank's CSR policy include contributing to food security and improvements in sustainability in the food and agri sector and other value chains. Rabobank is also actively involved in international stakeholder dialogues on creating more sustainable value chains in the food and agri sector, alongside intergovernmental organisations, the business community and civil society organisations. Examples of such dialogues include the

UN Global Compact, the UN Environmental Programme Finance Initiative, the Dutch Sustainable Trade Initiative (IDH), and various multi-stakeholder Round Tables on sustainable, certified production chains in the food and agri sector, particularly in the areas of palm oil, soy, sugar, cotton and meat. Collaboration within the framework provided by the UN Global Compact led to Rabobank Group's human rights policy being further developed, as a result of which the policy was fine-tuned in 2011.

Sustainable development in value chains

The impact of collaboration within the Round Tables can be seen in the progress made on developing standards for sustainably produced sugar, the first delivery of RTRS certified soy, and a steady increase in the production of RSPO certified palm oil. This means that the market is able to bring about improvements in sustainability in value chains and products. Rabobank is contributing to this by working with partners in value chains.

Responsible use of agricultural commodity derivatives

In the second half of 2011, various civil society organisations, research agencies and the media drew attention to the potential impact of trading and investing in agricultural commodity derivatives on the prices of agricultural commodities, such as wheat, rice, and vegetable oils and fats. In response to questions, Rabobank stated that it is involved in the creation and trading of such derivatives owing to the role it has traditionally played in helping market players in food production chains hedge price and currency risks. In addition, Rabobank facilitates investments made by players that are prepared to assume such risks in a way that stabilises prices rather than destabilising them. This role is essential for the effectiveness of such chains, and contributes to food security. Rabobank has looked into its activities in this area and believes that they do not adversely affect the prices of basic agricultural products. This view is in keeping with leading independent international research in this area. Rabobank is keeping a close eye on developments and has developed a position paper that transparently sets out its vision and activities in relation to this issue. The position paper is expected to be published early in 2012.

Land grabbing and animal welfare

Rabobank explained to Oxfam Novib and other civil society organisations how it has set up its financing and investment policies to prevent the potentially adverse social effects of land grabbing in developing countries. In addition, Rabobank discussed with the Dutch Society for the Protection of Animals which initiatives it is taking to improve animal welfare in all segments of the pig farming sector.

Environment and climate

With regard to the environment and climate, Rabobank discussed issues such as deforestation and the certification of sustainable timber with stakeholders. Given the strong relationship between global population trends, food security issues and the rise in demand for energy and raw materials, using natural capital and raw materials in a balanced way and slowing down global warming are crucial from a social, economic and environmental perspective. To emphasise this, in December 2011 Rabobank was one of the first two banks in the world to endorse the Natural Capital Declaration, an initiative developed by parties including the United Nations Environment Programme's Finance Initiative. The declaration calls on financial institutions to take considerations concerning the earth, water, flora and fauna, and associated eco systems, into account in their activities.

In 2012, external stakeholders are expected to take a greater interest in matters related to food security, the transparency of value chains, the improvement of sustainability in value chains, growing dependence on raw materials and renewable energy.

Updated policy on defence industry, human rights and the UK Bribery Act

The Executive Board readopted the policy on the defence industry in January 2011 on the basis of the findings of a group-wide defence industry investigative committee. The policy forms Rabobank Group's framework and is in keeping with key international agreements on controversial weapons, such as cluster munitions, anti-personnel mines, biological and chemical weapons, and nuclear weapons.

Rabobank's human rights policy was updated in 2011. This policy is in keeping with the UN's new human rights framework for multinationals, drawn up by a team headed by Dr John Ruggie, a UN Special Representative. Prior to the introduction of this, there was no framework of this kind on human rights.

The UK Bribery Act came into effect in July 2011. This Act replaces a number of old acts with a modern, consolidated act on bribery and is relevant to Rabobank since the bank does business in the UK through its London office.

Dilemmas and ethics

The Ethics Committee provides all Rabobank group entities with advice on ethical issues that employees are confronted with in the course of their work. It is another clear example of how opposing forces have been organised in a constructive way at Rabobank.

During the year under review, the Ethics Desk received 202 (200) inquiries. Depending on the specific details of the relevant inquiry, the Ethics Desk deals with inquiries on the basis of previous cases. Only new or complex issues are referred to the Ethics Committee. Inquiries are also passed on to Group Compliance, the Corporates department at Rabobank Nederland or the Complaints Desk for them to deal with. Rabobank was approached by other banks asking to share its knowledge and experience of the Ethics Committee on two occasions during the year under review.

Partnership with WWF

Under the partnership WWF and Rabobank entered into in 2011, the mission of the two organisations is to provide interesting practical examples of ways to bring about a sustainable food supply, make innovations possible in the area of clean technologies, and make efficient use and re-use of raw materials and natural resources. The projects in question involve working within a chain with progressive local farmers, large businesses (merchants, manufacturing companies and retailers), government authorities and non-governmental organisations. One of Rabobank's main objectives is that the projects should make relationships with participating clients stronger and deeper from a commercial perspective.

With regard to the agricultural projects, the emphasis is on testing innovative sustainable farming methods (such as precision farming) that are designed to improve agricultural production in terms of increased yields, profitability and sustainability. A secondary objective is that account managers and credit analysts receive training, where appropriate, in identifying and analysing issues related to biodiversity and ecosystem services with which clients might be confronted.

A start was made in 2011 on setting up projects in Brazil (reforestation by sugar farmers), Chile (sustainable salmon farming), Indonesia (sustainable production of palm oil and cocoa) and Australia (sustainable sugar production). In the course of 2012, it should become clear which of these projects ought to be given the actual go-ahead under the terms of the partnership.

Successfully completed projects will be used later on in the partnership as examples that other Rabobank stakeholders and WWF can use to transform regular production processes into sustainable processes.

Environment and operations

The operations of Rabobank Group, which has almost 60,000 employees (in FTEs), have a major impact on the environment. As part of its CSR policy, Rabobank aims to minimise its climate footprint (i.e. reduce carbon emissions) wherever possible. Thanks to this policy, the target for reducing in carbon emissions, which was to be attained by the end of 2013, was already achieved in 2011.

Climate-neutral operations

Rabobank Group has analysed its climate footprint since 2007. It does this in accordance with the Greenhouse Gas Protocol methodology, which involves recording energy consumption, lease car mileage, business car mileage, business flights, the use of air conditioning and paper consumption. Efforts to reduce carbon emissions were continued in 2011, and carbon emissions were offset by purchasing carbon credits. These credits were from clean energy generated by a large windmill project in China. As a result, Rabobank Group's operations were climate-neutral in 2011.

Reduced carbon footprint

Our carbon footprint for 2011 corresponded to 164,290 tonnes of CO₂, representing a drop in carbon footprint per FTE to 2.5 (2.7) tonnes of CO₂. This was mostly down to factors such as lower carbon emissions by lease cars and an increase in the amount of green gas purchased. This meant that Rabobank Group was able to meet its target for reducing carbon emissions (reduction of 20% per FTE between 2009 and 2013) in 2011.

Saving energy

An internal energy programme supports local Rabobanks and Rabobank Nederland in their efforts to become more energy-efficient. Offices that score relatively poorly on energy undergo an energy scan and are provided with energy saving suggestions.

Rabobank Bollenstreek received the 2011 Rabo Energy Award for the lowest relative energy consumption at Rabobank Group. In 2011, 97% of the electricity and 71% of the gas consumed by Rabobank Group in the Netherlands was 'green'.

New building in Utrecht

The new building in Utrecht was brought into use in 2011. These sustainable offices are fully geared to the New World of Work. Rabobank Nederland employees are free to decide for themselves when and where they work, based on taking responsibility for themselves and focusing on deliverables. The building reflects this. It is a place where people can meet and work together. Fixed desks are now a thing of the past. This development is expected to have a positive impact on our climate footprint, since we do not need as much floor space and have left employees in charge of deciding for themselves whether they need to travel.

Sustainable purchasing

Raboshop, an internal online shop where many products are purchased by buyers from Rabobank Nederland and local Rabobanks, continued to be made more sustainable. The range of office supplies and household products has been revised, and more than half of the range now comprises products that specifically address CSR issues. In addition, these sustainable products are labelled as such, making them easier to identify.

Sustainable mobility

In 2011, ten local Rabobanks started to use electronic commercial vehicles for transport related to their technical support services. Athlon, the car lease business, delivered its first fully electric commercial vehicles (Renault Kangoos).

ICT

The uses to which computers can be put keeps on increasing, and this has led to an increased demand for ICT tools, as well as higher energy consumption, in our operations. In order to deal with this situation appropriately, it has been decided that the relative energy consumption of ICT is to be cut by 50% compared to 2008 by 2013. As part of this, further gains in efficiency were made in 2011 by making our data centres more sustainable, and the energy efficiency increased by 12.5% compared with 2010.

An internal campaign encouraging employees to part with old telephones so that they could be re-used led to the donation of more than 3,400 telephones. It also resulted in an additional donation of over EUR 10,000 being made to WWF.

In 2011, Rabobank joined the Green Software knowledge network. The network works with government authorities and the business community to encourage the development of more efficient software, which requires less hardware and therefore saves energy and money. Rabobank will investigate the impact of green software in its own ICT applications in 2012.

Organic catering

In 2011, organic products accounted for over 70% of the range of catering products at Rabobank Nederland.

Our specialised subsidiaries

Asset management

www.robeco.com, www.sarasin.com, www.schretlen.com

Stability of managed assets in turbulent investment year

Rabobank Group saw a limited drop in assets under management for customers in 2011 due to a combination of cash inflows, investment losses and currency gains. Total inflow of assets into the asset management business was EUR 7.0 billion. Customers suffered from the poor stock market in the second half of 2011 in particular. Investment losses amounted to EUR 16.5 billion and currency gains stood at EUR 4.9 billion. At Robeco, a streamlining of the organisation resulted in cost savings and staff reductions. Driven by market conditions and the sale of Sarasin, profit was down EUR 105 million, dropping to EUR 62 million. Private Banking introduced Rabo Asset Management, a collaboration between the local Rabobanks en Schretlen & Co offering customers full-scope services. Of Private Banking's services, 71% meet all sustainable banking criteria. Rabobank sold its equity interest in Swiss-based private bank Sarasin in 2011. Thanks to this sale, Rabobank is now better placed to focus on its strategic core business.

Rabobank Group asset management business

Robeco and Schretlen & Co support Rabobank Group's market leadership in the Netherlands by offering a wide range of investment funds and assets management services via different distribution channels. With their broad product offering and specialised investment teams, they offer tailored investment and asset management services to investors of every kind. Robeco, its subsidiaries Transtrend and Harbor Capital Advisors, and Sarasin provide services to large institutional investors; on an international level, they offer investment services to high net-worth individuals, among other clients. Rabobank Private Banking and Schretlen & Co offer estate planning and asset management services to high net-worth clients. Responsible investing takes centre-stage in client services. Bouwfonds REIM, a division of Rabo Real Estate Group, offers property-based investment products to private and institutional investors.

Strategy for Robeco

Robeco's strategic plan was updated in 2010 to include the period through 2014. Robeco wants to focus on reducing the complexity level of the organisation and strengthening its position as the Dutch market leader. To do so, Robeco has made choices in terms of the number of products it wants to offer and the markets it wants to target. As part of this ambition, Banque Robeco France was sold and the number of Robeco investment funds was reduced. Staff cuts were implemented as fewer people were needed following the complexity reduction. Robeco stands for responsible investing and the updated strategy focuses on further integration of aspects in such areas as the environment, society and good governance. Robeco has an exclusion policy, actively exercises its voting rights and enters into a dialogue with the businesses it invests in.

Robeco licensed as Institution for Occupational Retirement Provision

One of the markets targeted in Robeco's updated strategy is that of pensions. In 2011, Robeco was one of the first institutions to be granted a licence as an Institution for Occupational Retirement Provision (IORP) by the Dutch Central Bank. The Act on the Introduction of Institutions for Occupational Retirement Provision allows entities other than insurance companies and pension funds to administrate pension schemes. Besides seeking out medium-sized and large Dutch companies, Robeco also focuses on the European market. The investment returns of the Robeco IORP are based on lifecycle investments, in which process the investment portfolio is tailored to the member's age. Rabobank Group's network is actively leveraged in selling this pension product. It was announced in late 2011 that Nutreco had decided to transfer its top-up pension and pre-retirement schemes to this IORP as of 1 January 2012. Its long-time experience with Robeco and the appealing terms of the scheme fuelled Nutreco's confidence that the Robeco IORP was the best choice to make.

Sarasin sold to Safra

Rabobank sold its equity interest in Swiss-based private bank Sarasin to Safra Group for EUR 844 million in 2011. This transaction is currently still subject to regulatory approval. The sale of Sarasin, which serves private clients outside the Netherlands, will allow Rabobank to sharpen its focus on its strategic core business, i.e. broad market leadership in the Netherlands and worldwide growth in the area of food and agri.

Launch of new service concept and new products

Rabobank Private Banking introduced Rabo Asset Management in 2011, which helps local Rabobanks answer complex asset management questions from their high net-worth clients. The local asset manager or Private Banking account manager joins the specialists of Schretlen & Co to provide comprehensive client services. This set-up offers clients the combination of a specialist approach and a personal touch.

In addition to asset planning, management and advice, Rabo Asset Management offers several individual solutions for high net-worth clients, such as assistance in identifying suitable charities, understanding the financial aspects of the sales proceeds of a business and settling an estate. The new client service concept came with a mass media campaign to get across that 'We know the story behind your assets'. By introducing several new products, Rabobank Private Banking further streamlined its product offering to high net-worth individuals in 2011, for instance with the launch of Rabo VermogensSparen targeting clients with substantial freely disposable assets and improvements in Rabo Riantpakket, a top-class payment platform.

Rabobank and Schretlen & Co awarded

Rabobank and Schretlen & Co were named best private bankers in the annual customer satisfaction survey of Incompany100 magazine. The product offering was rated for aspects such as know-how, results, pricing and service. Rabobank and Schretlen & Co scored a 7 or higher on all aspects, demonstrating that customers are pleased with our services. In this survey, 5,000 corporate decision-makers in medium-sized and large businesses were asked to review several companies. Rabobank has now ranked in the top three for seven years in a row. In addition to tighter teamwork between Rabobank and Schretlen & Co in 2011, the bank's steady course and robustness also contributed to this outcome. Customers are increasingly looking for a reliable and secure partner when it comes to managing their assets.

Rabobank was awarded the Golden Bough 2011 for its Eurostoxx 50 note. Website IEXProfs ranked this note as the most transparent product with an excellent earnings outlook. In addition, Management Team magazine named Rabobank best financial services provider in 2011; Rabobank was also ranked among the top contenders in the private asset management category.

Robeco investment funds: mixed results for 2011

The stock market fell in 2011, while fixed-income markets showed a positive picture overall. The AEX Index dropped by 9%, the MSCI World Index was down nearly 2% and the MSCI Emerging Markets Index fell by 16%.

The Robeco investment funds achieved mixed returns. Overall, 50%¹⁰ of Robeco's managed assets outperformed the benchmark for 2011; the three-year historical figure was 73%. The table below shows the returns delivered by Robeco's main funds in 2011 and compares them with the benchmark.

Fund	Return	Benchmark	Managed assets (in billions)
Harbor International	-10.4%	-12.1%	29.5 USD
Harbor Capital Appreciation	1.3%	2.6%	12.4 USD
Harbor Bond	4.0%	7.8%	7.5 USD
Transtrend Enhanced Risk USD	-8.6%	-	7.2 USD
Robeco	-5.6%	-1.8%	3.9 EUR
Rolinco	-14.9%	-3.7%	0.6 EUR
Robeco US Premium Equities	-0.8%	-0.1%	5.0 USD
Robeco Emerging Markets Equities	-16.8%	-15.7%	2.5 EUR
SAM Sustainable Water	-13.6%	-2.4%	0.7 EUR
Rorento	5.0%	5.9%	1.8 EUR
Robeco Lux-o-rente	7.8%	6.9%	2.9 EUR
Robeco All Strategy Euro Bonds	3.2%	3.2%	2.0 EUR
Robeco High Yield Bonds	3.5%	3.9%	2.0 EUR

Robeco responsible investments

Robeco is committed to responsible investing, having signed the United Nations Principles for Responsible Investment in December 2006. Since 2010, Robeco has focused even more on responsible investment practices and strengthening its leadership position in this area. This is achieved mainly by including environmental, social and governance (ESG) factors in the investment process.

Robeco also increasingly enters into dialogues with businesses in which it invests and exercises its voting rights in shareholders' meetings. In the second quarter of 2011, for instance, Robeco performed an in-depth study of corporations where the engagement theme 'forced labour in the retail chain' comes into play. Robeco launched this theme in 2008. All corporations that were involved in the study showed improvements in terms of our objectives, thanks, in part, to their dialogue with Robeco. The dialogue on forced labour was closed successfully with respect to a number of corporations in 2011. These included Gap, Carrefour, Best Buy, Vodafone and Inditex.

Robeco also classifies funds by how and to what extent they apply responsible investment practices. In addition, Robeco has an exclusion policy aimed at businesses involved in the production of, or the trade in, controversial weapons such as cluster munitions and anti-personnel mines. Finally, SAM, the subsidiary specialising in sustainable investments, develops sustainable investment indices together with Dow Jones and publishes studies on water shortages, obesity and other ESG topics.

10 Percentages are based on weighted assets; with the exception of alternatives (Transtrend), performance figures include asset management fees.

11 Robeco was involved in 471 dialogues with businesses in 2011 (2010: 365).

12 Robeco exercised its voting rights in 2,781 shareholders' meetings in 2011 (2010: 2,188).

Assets managed, by instruments for responsible investing (in billions of euros)

	2011	2010
Assets managed by Robeco Group	150	150
Assets invested in sustainable theme funds	4	4
Assets to which ESG factor integration is applied	84	60
Assets managed on which dialogues with businesses are ongoing ¹¹	41	44
Assets managed for which votes are cast ¹²	26	26

To Robeco, embedding environmental, social and governance factors in the investment process is a key element of responsible investing. Robeco starts from the principle of enhanced engagement, which means that it enters into an active dialogue with corporations acting in violation of the principles of the UN Global Compact, and that it has the option to exclude such corporations from its investment portfolios should the dialogue not yield the desired outcome. Robeco gradually implemented this strategy in 2010 and 2011. Based on the analyses it performed, Robeco has now initiated dialogues about violations of the UN Global Compact principles with 68 corporations. In 2011, Robeco welcomed the London Pension Fund Authority (LPFA) as its first non-Dutch client for active dialogue and voting in shareholders' meetings. Robeco uses a classification system for investment funds. This system was developed in collaboration with Sustainalytics, an independent research company. The classification shows the extent to which an investment fund makes responsible investments. To find out more about the outcome of the updated classification that was performed in 2011, please visit the Robeco website at www.robeco.com.

Robeco CSR policy

Robeco took further steps in 2011 to implement sustainability practices in its operations management, for instance by using sustainability criteria in selecting suppliers. Robeco also formulated a policy for community involvement and donations in the year under review. This policy is meant to encourage Robeco employees to become actively involved in socially responsible projects, with Robeco providing financial support to these projects.

Rabobank Private Banking responsible investments

In 2011, Private Banking continued to work towards achieving the ambition to have responsible investment practices become the norm across the investment services spectrum. Fund houses are being asked, for instance, to sign the UN Principles for Responsible Investment, to use the UN Global Compact as their frame of reference in the investment process and to define an exclusion policy for controversial weapons. At present, 71% of offered investment funds meet all the criteria, 16% meet some criteria and 13% meet none. Private Banking enters into a dialogue with the funds that do not yet meet all the criteria in order to steer them in the right direction. Information about responsible investing is shared with advisers and clients for them to consider in their investment decisions. They can use a fund selector that has been adjusted specifically for this purpose. The selector shows to what extent an investment fund meets Private Banking's responsible investment criteria. As part of the selection process, more and more ESG information is being provided to advisers so as to respond more adequately to the growing need for information on responsible investing.

As a member of the Dutch Association of Investors in Sustainable Development, Private Banking took part in the Sustainable Investment Week in November. This initiative is meant to draw advisers' and clients' attention to socially responsible and sustainable investments.

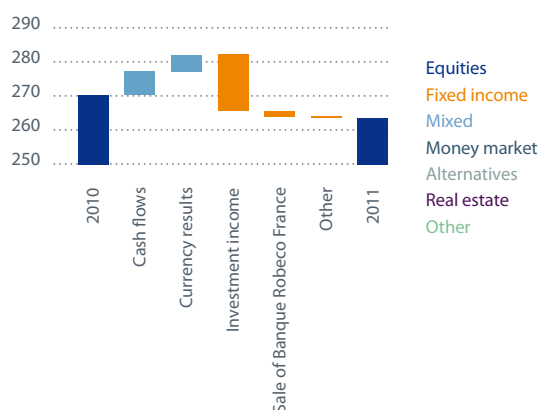
Charity Desk and Habitat for Humanity

The Charity Desk helps high net-worth individuals achieve their social ambitions. The Rabo Charity Management team has already assisted some 85 clients who plan to donate or leave their assets to charities. This increased these clients' commitment to their donations, thereby boosting the impact. Rabo Charity Management's client services are fully made to measure and laid out in a personal Charity Plan.

In 2011, the Charity Desk and Habitat for Humanity organised a trip to the Philippines with clients of Schretlen & Co, where built homes for the local community.

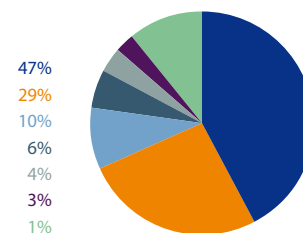
Changes in assets under management and held in custody for clients

in billions of euros



Assets under management and held in custody for clients

by asset category, at year-end 2011



Limited drop in managed assets

Rabobank Group's assets managed and held in custody for clients saw a limited drop in 2011, falling to EUR 263.6 (270.4) billion, and could be broken down as follows by the subsidiaries:

- Robeco: EUR 150.3 (149.6) billion;
- Sarasin: EUR 79.3 (82.5) billion;
- Schretlen & Co: EUR 8.4 (8.4) billion; and
- Rabo Real Estate Group: EUR 7.2 (7.2) billion.

The remainder of clients' assets is held by local Rabobanks. Total inflow of assets into the asset management business was EUR 7.0 (9.7) billion. The inflow of assets into Robeco stood at EUR 7.6 billion. Rabobank Group's assets managed and held in custody for clients dropped nonetheless due, in part, to investment losses in the third quarter and the sale of Banque Robeco France. Although the stock market did fairly well in the first half of 2011, equities slumped in the third quarter in particular and only partially recovered in the fourth quarter of the year. As a result, the asset management business suffered an investment loss of EUR 16.5 billion, compared with an investment income of EUR 15.3 billion in 2010. Total currency gains stood at EUR 4.9 (16.5) billion.

Financial results of asset management

Results (in millions of euros)			
	2011	2010	Change
Interest	163	166	-2%
Commission	979	995	-2%
Other results	2	47	
Total income	1,144	1,208	-5%
Staff costs	593	564	5%
Other administrative expenses	311	287	8%
Depreciation and amortisation	114	117	-3%
Total operating expenses	1,018	968	5%
Gross result	126	240	-48%
Value adjustments	-1	2	
Operating profit before taxation	127	238	-47%
Taxation	65	71	-9%
Net profit	62	167	-63%
Assets (in billions of euros)			
	31-Dec-11	31-Dec-10	
Assets under management and held in custody for clients	263.6	270.4	-3%
Number of employees (in FTEs)			
	3,129	3,070	2%

Notes to financial results of asset management

Income down 5%

The asset management business saw its total income decrease by 5%, dropping to EUR 1,144 (1,208) million in 2011. Interest earnings fell by 2% to EUR 163 (166) million. Commission income was down 2%, landing at EUR 979 (995) million, due to market conditions and lower commissions at Transtrend, a Robeco subsidiary. The sale of Sarasin contributed to the EUR 45 million drop in other results to EUR 2 (47) million.

Operating expenses up 5%

Total operating expenses incurred by the asset management business rose by 5% in 2011, reaching EUR 1,018 (968) million. Robeco implemented staff cuts. Staff costs were up 5% in the asset management business, rising to EUR 593 (564) million, while other administrative expenses grew by 8% to EUR 311 (287) million. Lower amortisation charges of intangible assets led to a drop in depreciation and amortisation by 3%, reducing them to EUR 114 (117) million.

Outlook for asset management

Managed assets are expected to increase in 2012 thanks to positive cash flows and fairly sound investment income. Return on investment will be weighed down by the fact that the financial markets are not yet showing any signs of a speedy recovery. Robeco will continue on its course of strengthening its market leadership position in the Netherlands combined with reducing the complexity of its product offering. Private Banking will further roll out its new Rabo Asset Management client service concept in 2012 in addition to streamlining its investment services.

Strong results thanks to higher margins and lower bad debt costs

De Lage Landen can look back on a successful year despite the poor market. Lower bad debt costs and higher interest income fuelled an increase in net profit by EUR 103 million to EUR 304 million. Active portfolio management resulted in higher volumes and better margins. What is more, the residual value gains of several lease products showed recovery. The loan portfolio was up EUR 2.4 billion, mounting to EUR 28.1 billion. The share of food and agri saw further increases in accordance with the strategic plan; it stood at 27.4% (26.8%) of the portfolio. Dutch loans made up 24.5% (25.3%) of lending. The acquisition of a consumer loan portfolio from Achmea drove a 28% increase in consumer loans to EUR 1.3 billion. De Lage Landen was awarded the title of 'Green Lessor of the Year' for the second consecutive year. This award is a reflection of De Lage Landen's sustainability policy, which endeavours to leave as small a climate footprint as possible and make a positive impact on the local communities of the countries in which it operates.

About De Lage Landen

De Lage Landen offers financing solutions on a global scale to businesses and consumers; its principal labels are De Lage Landen, Athlon Car Lease, Freo and Fideaal. De Lage Landen is market leader in the Dutch equipment lease segment. De Lage Landen helps Rabobank achieve market leadership in the Netherlands by offering equipment leasing, car leasing and factoring services, as well as consumer loans. On an international level, De Lage Landen seeks to increase the share of food and agri in its leasing portfolio. Boasting an extensive global vendor finance and car leasing network, De Lage Landen offers an excellent platform for synergies with other divisions of Rabobank Group.

Strategy

De Lage Landen's strategy is aimed at further optimising its portfolio. Options for how to provide better support to existing customers are being explored within the Vendor Finance division. The strategy centres on working in tandem with other Rabobank Group entities. In the Netherlands, De Lage Landen has collaborated closely with the local Rabobanks for many years. Teamwork is stepped up in an international context too, for instance in Poland where De Lage Landen has a joint venture with Bank BGZ, and in China where Rabobank International and De Lage Landen have entered into a partnership with the Agricultural Bank of China. The OneDLL programme is meant to further intensify ties between the different divisions of De Lage Landen.

Vendor Finance

De Lage Landen has two operating divisions, i.e. Vendor Finance and Finance & Mobility Solutions. Vendor Finance forges partnerships with suppliers of capital goods, for instance in the form of joint ventures. This approach underlines De Lage Landen's ambition to build long-standing relations with customers. Food and agri makes up a substantial portion of the vendor

finance portfolio. De Lage Landen has had a joint venture with AGCO, the world's largest manufacturer of agricultural equipment, for 22 years; this joint venture goes by the name of AGCO Finance. AGCO Finance has a presence in 18 countries, covering virtually every continent. The company finances about 50% of all AGCO sales in these markets.

Finance & Mobility Solutions

Although volume growth in the Dutch lease market was generally low in 2011, De Lage Landen managed to increase its market share. Economic growth slowed down, particularly in the construction sector. The healthcare leasing market did continue to show growth, however.

In De Lage Landen's experience, factoring is increasingly being used in the Dutch market to improve working capital management. The factoring product portfolio was expanded further in 2011.

One of De Lage Landen's labels in the Dutch consumer loan market is Freo, a specialist online provider of consumer loans. Streamlined processes help to keep customer fees low. In 2011, Freo acquired the consumer loan portfolio of several Achmea labels, which will be operated under the Fideaal label. Thanks to this transaction, De Lage Landen now has an even larger share of the market. Becoming the shirt sponsor of Eindhoven-based football club PSV further boosted Freo's public profile as an online lender. The volume of the total consumer loan portfolio rose by EUR 0.3 billion in 2011, reaching EUR 1.3 billion.

Corporate social responsibility in leasing

De Lage Landen organises its sustainability activities along four strategic focus areas:

Sustainable & Innovative Solutions

The Clean Tech business continues to expand, both in terms of deal flow and entry into new markets. The focus is on the solar, wind, lighting and ESCOs (Energy Service Companies) sectors. De Lage Landen has established a dedicated lease fund that will provide lease financing to promising, early stage clean-tech and sustainable food and agriculture companies. This fund will complement the existing Clean Tech and eco-innovation work already ongoing within both divisions by facilitating more cutting edge companies and technologies.

De Lage Landen is investigating opportunities related to Life Cycle Asset Management. LCAM will allow the organisation to play a more strategic role in managing equipment lifecycles and better facilitate the refurbishment and remanufacturing activities of its manufacturing partners.

The organisation trained its staff on sustainability and has developed detailed analyses of the sustainability activities by key vendors partners and industry sectors, highlighting sector trends, risks and best practices.

Athlon Car Lease has established the development program 'CHARGED' to create a one-stop-shop for electric vehicles for customers. Currently, Athlon has more than 300 electric cars in its fleet with more than 100 on back order. Athlon also recently reached an agreement with Tesla to develop a pan-European leasing program for their future Model S. The 5-step Sustainable Mobility Plan, which affirms Athlon's ambition of transitioning from traditional lease car provider to a provider of mobility services, was also further expanded in 2011.

Our way of doing business

De Lage Landen has completed an Environmental, Social and Governance (ESG) risk heat map that identifies those areas of the business that exhibit increased ESG risks. This heat map will be used to identify the need for additional ESG risk policies covering specific industry sectors or ethical concerns. De Lage Landen is also updating its overall governance model for managing ESG risk and has recently revised the armaments policy framework, updating its commitment to refrain from business involving controversial weapons manufacturers.

Eco effectiveness

In 2011, our head office in Eindhoven was refurbished with a number of environmental measures introduced. A flexible office concept has been implemented, resulting in a substantial decrease in necessary office space. It is the intent to achieve a BREEAM sustainable building certification in 2012. The US office in Wayne is also being upgraded taking into account LEED standards. Compared to 2010, total electricity usage declined slightly while the level of paper usage and car kilometres driven remained approximately the same.

As part of their sustainable mobility service offering, Athlon Car Lease opened their Flex Centre at Schiphol-Rijk. The Flex Centre offers customers, lease drivers and partners a convenient office environment, featuring modern facilities, state-of-the-art equipment and full office services. The Flex Centre will provide extra flexibility for customers planning their working day in the most efficient manner.

Community involvement

In 2011, De Lage Landen developed a global Community Involvement Program. The organisation seeks to have a positive impact on the local communities in which it operates by offering expertise, financial and in-kind contributions to community projects. As an asset finance provider, De Lage Landen will also leverage vendor partnerships and assets to offer a unique contribution to societal causes. Progress has already been made in exploring potential pilot projects involving micro leasing in select emerging markets in cooperation with vendor partners and charitable organisations.

De Lage Landen partnered with the Eindhoven municipal government to organise a Corporate Responsibility 'matchmaking' event which proved successful in establishing greater community involvement partnerships between social charities and businesses in the Eindhoven region.

De Lage Landen has established a partnership with World Wide Fund for Nature (WWF) as the official charity of its entry in the Clipper Round the World Yacht Race. By fundraising and organising events, De Lage Landen helped to raise awareness for WWF and its marine conservation work. WWF and De Lage Landen are also exploring joint initiatives and information exchange in area of clean technology.

External recognition

De Lage Landen was again recognised by Leasing Life magazine as 'Green Lessor of the Year 2011'. It is the second time De Lage Landen received this prestigious price. The Award honours the lessor deemed to have made the biggest inroads into green technology finance, while also cutting the environmental impact of day-to-day operations.

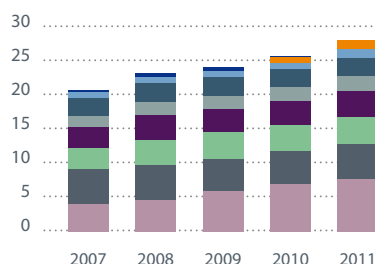
Loan portfolio up 9%

Lending at De Lage Landen grew by 9%, reaching EUR 28.1 (25.7) billion. The portfolio showed a marked increase in 2011 in spite of moderate economic growth. In keeping with its strategy, De Lage Landen focused on expanding the share of food and agri in the portfolio. The portfolio volume was up 12%, rising to EUR 7.7 (6.9) billion, so that food and agri now makes up 27.4% (26.8%) of total leasing. Lending in the Netherlands stood at EUR 6.9 (6.5) billion in the year under review, which corresponds to 24.5% (25.3%) of the total portfolio.

Loan portfolio

in billions of euros

Other
Vendor finance operations
Consumer finance
Car lease
Healthcare and clean technology
Construction, transportation
and industrial
Financial institutions
Office technology
Food and agri

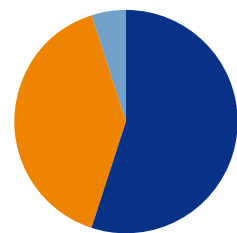


Loan portfolio by region

at year-end 2011

Europe
America
Asia/Pacific

55%
40%
5%



Financial results of leasing

Results (in millions of euros)			
	2011	2010	Change
Interest	778	658	18%
Commission	76	83	-9%
Other results	465	440	6%
Total income	1,319	1,181	12%
Staff costs	455	416	9%
Other administrative expenses	269	244	10%
Depreciation and amortisation	50	40	25%
Total operating expenses	774	700	11%
Gross result	545	481	13%
Value adjustments	144	214	-33%
Operating profit before taxation	401	267	50%
Taxation	97	66	47%
Net profit	304	201	51%
Bad debt costs (in basis points)	58	90	-36%
Ratios			
Efficiency ratio	58.7%	59.3%	
RAROC	25.3%	18.3%	
Balance sheet (in billions of euros)			
	31-Dec-11	31-Dec-10	
Loan portfolio	28.1	25.7	9%
Capital requirements (in billions of euros)			
Regulatory capital	1.3	1.2	8%
Economic capital	1.3	1.1	18%
Number of employees (in FTEs)	4,964	4,835	3%

Notes to financial results of leasing

Income up 12%

De Lage Landen saw its total income increase by 12%, rising to EUR 1,319 (1,181) million in 2011. Interest income was up 18% to EUR 778 (658) million thanks to active portfolio management. De Lage Landen paid higher commissions to the local Rabobanks for new lease referrals. As a result, commission income fell by 9% to EUR 76 (83) million. Increases in residual value gains on lease products propelled a 6% rise in other results to EUR 465 (440) million.

Operating expenses up 11%

De Lage Landen's total operating expenses rose by 11% in 2011, landing at EUR 774 (700) million. Staff costs were up EUR 39 million, reaching EUR 455 (416) million, because of periodic salary increases and a larger workforce on average. The headcount increased by 3% to 4,964 (4,835) FTEs. Other administrative expenses grew by 10% to EUR 269 (244) million and depreciation and amortisation to EUR 50 (40) million due, in part, to the accelerated amortisation of self-developed software.

Bad debt costs at 58 basis points

The quality of the portfolio improved thanks partly to strict risk management. This helped to reduce De Lage Landen's value adjustments, which fell by 33% to EUR 144 (214) million, corresponding to 58 (90) basis points of average lending. Bad debt costs are now 11 basis points below the long-term average of 69 basis points.

Regulatory capital up 8%

Regulatory capital at De Lage Landen increased by 8% in 2011, landing at EUR 1.3 (1.2) billion. The required economic capital, i.e. the internal capital requirement, saw 18% growth, rising to EUR 1.3 (1.1) billion.

Outlook for leasing

De Lage Landen will continue to implement its strategy in 2012, stressing further optimisation of the existing portfolio. To provide the best possible client services, teamwork within De Lage Landen and with other group entities is a key priority. The leasing market is expected to show limited growth in view of the uncertain economic climate.

Results of Rabo Real Estate Group affected by harsh market climate

The continued economic downturn had great impact on the property markets. Although the financial results of Rabo Real Estate Group were affected by the crisis, it managed to maintain its market positions. Bouwfonds Property Development, which operates as Bouwfonds Ontwikkeling in the Netherlands, sold 8,112 residential properties and MAB Development sold 94 residential properties. Sales of residential properties were up in France and Germany, unlike in the Netherlands where a decline was seen. For the first time, more residential properties were sold outside the Netherlands than in that country. MAB Development focused specifically on redeveloping commercial properties. Completed developments represented a value of about EUR 650 million. MAB Development developed commercial properties for an amount slightly below EUR 269 million. FGH Bank could not escape having to add to its provision for loan losses either in this market. Managing the lending portfolio continues to be a priority. The real estate bank managed to maintain its stable position despite the challenging market. The loan portfolio was up EUR 1.2 billion, rising to EUR 19.0 billion. Bouwfonds REIM's managed assets were virtually stable at EUR 7.2 billion. Rabo Real Estate Group's profit fell to EUR 31 million due to impairments on land and an increase in bad debt costs, which corresponded to 69 basis points of average lending. Rabo Real Estate Group focuses on maintaining its leading position in the Netherlands and on achieving controlled growth in economically strong regions in France and Germany.

Strategy for Rabo Real Estate Group

Rabo Real Estate Group operates the following labels: Bouwfonds Property Development, MAB Development, FGH Bank, Bouwfonds REIM and Fondsenbeheer Nederland. Bouwfonds Property Development develops comprehensive residential areas and small mixed-use projects. MAB Development is a leading commercial property developer. FGH Bank specialises in property finance. Bouwfonds REIM manages real estate investment funds. Fondsenbeheer Nederland is an independent manager of seven community funds that actively strive to improve the quality of our living environment.

Rabo Real Estate Group is Rabobank Group's in-house centre of expertise in real estate and is one of the largest real estate enterprises in Europe. Besides its home market in the Netherlands, Rabo Real Estate Group is also a prominent player in France and Germany. Through real estate development (residential areas and commercial properties), property finance and investment management, Rabo Real Estate Group aims, in a socially responsible way, to help its clients achieve their ambitions for living, working, shopping and leisure. In doing so, Rabo Real Estate Group seeks to maintain its national and international markets positions, with controlled growth of its activities in France and Germany.

No signs of recovery in real estate

The continuing adverse economic conditions have had a major impact on property markets. Whereas the market appeared to stabilise early in 2011, it experienced a sharp downturn later in the year. In the residential property market in the Netherlands, this translated into a reduction in the value of existing real estate and a decline in the number of transactions. Similarly, the negative sentiment was tangible in the market for residential new-builds in the Netherlands, which suppressed the number of transactions. The residential property market in France performed better than in the Netherlands, but the effects of the European debt crisis were still visible there too. The residential property market in Germany is in good health.

The supply of office space in the Dutch commercial property market remained high, although the increase in vacant office space has slowed compared to 2010, in part due to a reduction in new-builds. In the retail sector, demand for prime locations remained, and it was the secondary locations in particular that faced difficulties.

Property investors remained cautious, and economic conditions meant that investment volumes in many countries and across most of the property sector were low. Given these market conditions, FGH Bank increased its focus on active management of the existing finance portfolio. Projects and positions with a higher risk profile were monitored and controlled closely at all levels of the organisation.

Close collaboration between Rabo Real Estate Group and Rabobank

Collaborative ties between Rabo Real Estate Group and other Rabobank Group entities were tightened further in 2011. The introduction of Bouwfonds Connect, a digital lead management system designed to support the sale process for residential new-builds by Bouwfonds Property Development, is a good example of teamwork that produces clear synergy gains for Rabobank Group. The system provides the local Rabobanks with information on potential house buyers who might be interested in a Rabobank mortgage.

Bouwfonds Property Development and Rabobank Nederland have together updated their WoonlastenCalculator, a tool to help people work out the cost of running their home, not just by including the parameters recommended by the Dutch National Institute for Family Finance Information (NIBUD), but also by factoring in the type of residential property and its energy needs. Including these aspects in the calculations improves the likelihood of obtaining finance for energy-efficient new-builds.

In 2011, Rabobank Nederland's Executive Board decided to step up the partnership between FGH Bank and the local Rabobanks. FGH Bank is a property finance specialist and, in the difficult times in which the real estate market currently finds itself, is particularly well placed to demonstrate its added value. Furthermore, FGH Bank supports the local Rabobanks by analysing property finance applications, performing valuations via the FGH RaboTaxatieDesk and conducting reviews of financial interests. FGH Real Estate Expertise advises the local Rabobanks on matters such as market and location surveys, and portfolio and accommodation analyses.

Bouwfonds REIM strengthened its cooperation with Robeco Germany for the sale and distribution of its Bouwfonds European Residential Fund.

Rabo Eigen Steen now has a portfolio of 91 properties. Bouwfonds REIM, FGH Real Estate Expertise and MAB Development contribute their expertise to Rabo Eigen Steen, enabling them to manage and operate real estate in use by Rabobank branches themselves. Local Rabobanks sell their real estate to Rabobank Eigen Steen and then lease it back. Rabobanks can also involve Rabo Eigen Steen in new-build projects or in the redevelopment of properties.

Finally, the continuation of the Rabo Real Estate Desk is another good example of teamwork between Rabo Real Estate Group and other Rabobank Group entities. The Rabo Real Estate Desk offers Rabobank Group employees answers to any questions they have about real estate. This initiative has improved access to the business units of Rabo Real Estate Group.

Corporate social responsibility at Rabo Real Estate Group

It is our conviction that real estate should serve end-users and contribute to the quality of society. We have integrated sustainability into our strategy and core business. Rabo Real Estate Group is seeking to establish a leading position on sustainability in the property sector.

To Rabo Real Estate Group, sustainability, within a framework of financial responsibility, means:

- Active in sustainable real estate. All of Rabo Real Estate Group's business units contribute to sustainable real estate and area development. This not only covers energy aspects, but also issues such as multiple use, transformation, mobility and cultural history. To support consumers looking to buy a new-build home, Bouwfonds Property Development introduced a green buyers' choice list, which presents a wide range of options relating to the environment and climate. In addition, the online www.groenpluswonen.nl platform was launched to offer consumers advice on sustainability in and around their homes. The development of the De Rotterdam multi-purpose building in the Kop van Zuid area of Rotterdam is an example of sustainable development by MAB Development. In the start-up phase, during construction and even during its ultimate use, contributions to the sustainability of the development and the environment have been incorporated on several fronts. In 2011, FGH Bank launched a pilot to objectively assess whether the properties in the portfolio can be assigned a sustainability performance rating. The aspect of sustainability has also been further integrated into the valuation process. In 2011, Bouwfonds REIM started using a so-called location-building-user model, which it developed in 2010 to allow fund managers to assess a portfolio for sustainability. The model is based on data provided by the Municipal Practice Guideline for Buildings (GPR) in the Netherlands and Green Globes in the US. The strategic motto of Fondsenbeheer Nederland is 'to invest in the quality of the physical environment'. Through the funds it manages, it achieves this on a daily basis in the areas of monuments, nature conservation, urban regeneration, sustainability and the repurposing of industrial, agricultural and religious heritage.
- Ethical business practices. Rabo Real Estate Group has its own Code of Conduct relating to the integrity and conduct of employees in line with Rabobank Group's own Code of Conduct. Efforts to firmly anchor the Code of Conduct in the organisations continued in 2011.
- Responsible business practices. In its operations, Rabo Real Estate Group is mindful of environmental considerations. For instance, investments in equipment explicitly include assessments of the scope for energy savings.
- Commitment to the community. Rabo Real Estate Group is committed to ensuring that monumental buildings from the past are preserved to foster an awareness of our cultural heritage. With this in mind, Rabo Real Estate Group has been the main sponsor of the Dutch Heritage Day for 25 years. The 25th Dutch Heritage Day attracted around 950,000 visitors to more than 4,000 monuments that were opened up to the public. Bouwfonds Cultuurfonds provided support to cultural and physical environment initiatives ranging from the Netherlands Architecture Institute in Rotterdam, Museum De Fundatie in Zwolle to the restoration of the Drommedaris tower in Enkhuizen.

Market conditions weighing down residential property sales

Bouwfonds Property Development is the market leader in the Netherlands in the development of residential areas and small mixed-use developments. Together with the local Rabobanks, regional offices ensure that Bouwfonds Property Development can respond effectively to specific market conditions in a given region. Given the poor state of the Dutch residential

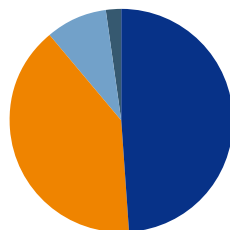
property market, Bouwfonds Property Development focused on limiting its stock of unsold residential properties. Residential property sales fell to 8,112 (8,982). Given the changing market conditions in the Netherlands, Bouwfonds Property Development embarked on a second reorganisation in 2011, which is due to be implemented early in 2012 together with a considerable headcount reduction. In the Netherlands, residential property sales dropped to 3,922 (4,791). Market conditions in France and Germany, where Bouwfonds Property Development has also gained a strong foothold, were generally

Distribution number of houses sold in 2011

by country

The Netherlands
France
Germany
Other

49%
40%
9%
2%

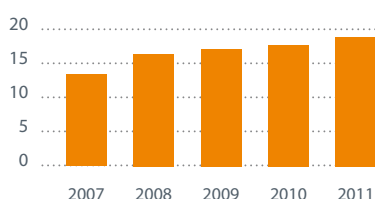


better than in the Netherlands. Income from our international operations reached a record high and the number of residential property transactions increased, in line with the strategy of continuing growth in the economically strong regions of France and Germany.

Near-stability in commercial property development

MAB Development develops commercial properties in the Netherlands, France and Germany. Its specific focus in 2011 was on redevelopment opportunities in commercial real estate, with focus on mixed-use projects and retail developments in city centres and fringe areas. Specific examples of this include the joint ventures with NEINVER of Spain for the development of factory outlets and with Sonae Sierra of Portugal for the development of city centre shopping centres. Despite the difficult economic environment, MAB Development has made reasonable progress in signing leases for its projects. The total value of completed developments was around EUR 650 million. The value of new commercial property developments stood at EUR 269 (288) million. In addition, MAB Development sold 94 (296) residential properties that formed part of mixed-use developments. By year-end 2011, MAB Development had 6 (10) new developments under construction.

Loan portfolio
in billions of euros



Stable position of FGH Bank

FGH Bank offers all possible forms of property finance, with a strong focus on its home market of the Netherlands. FGH Bank has in-house expertise in valuation, building engineering, real estate analysis and sales, and this expertise is leveraged across the Group, particularly by the local Rabobanks. In 2011, FGH Bank's gross profit was satisfactory, with the portfolio achieving a growth of 7%, rising to EUR 19.0 (17.8) billion.

Stable equity position at Bouwfonds REIM

The difficult market conditions made 2011 a challenging year for Bouwfonds REIM. Although the volume of operations was below target, the volume of assets under management remained stable at EUR 7.2 billion. The size of the organisation decreased in 2011 following the sale of activities in the United States. In the existing funds, Bouwfonds REIM's focus was on active fund and asset management, devoting full attention to letting, cash management and cost control. In 2011, Bouwfonds REIM continued its efforts towards sustainability of offices, shops and residential properties, based on the belief that making the existing portfolio more sustainable is a key requirement in maintaining the value of the real estate portfolio.

Klimop investigation

The activities regarding the Klimop real estate fraud investigation by FIOD-ECD, the Dutch national fiscal and economic investigation service, and the Public Prosecutor's Office continued in 2010, and were increasingly focused on recovery proceedings against the suspects. The case also provided input for our Customer Due Diligence (CDD) policy. This work was conducted with the assistance of external parties, and approximately EUR 26 million has been spent on forensic investigations and outside legal assistance since 2007. Rabo Real Estate Group made several formal complaints to the authorities in 2011 based on suspicions that criminal acts had been committed. Court hearings dealing with the substance of many of the cases were held in 2011. A judgment was handed down early in 2012 and all suspects were found guilty. Criminal proceedings in the case against a number of other suspects relating to this case are due to start in the spring of 2012.

With the approval of the Public Prosecutor's Office, a settlement was reached in the year under review between a number of suspects and the aggrieved parties Philips Pension Fund and Rabo Real Estate Group. In addition, civil proceedings have been instigated to recover losses from suspects who are unwilling to reach repayment settlements.

Financial results of real estate

Results (in millions of euros)			
	2011	2010	Change
Interest	277	246	13%
Commission	41	27	52%
Other results	205	210	-2%
Total income	523	483	8%
Staff costs	200	193	4%
Other administrative expenses	122	79	54%
Depreciation and amortisation	10	8	25%
Total operating expenses	332	280	19%
Gross result	191	203	-6%
Value adjustments	136	57	
Operating profit before taxation	55	146	-62%
Taxation	19	42	-55%
Profit Rabo Real Estate Group ¹³	36	104	-65%
Minority interest	5	-2	
Net profit Rabo Real Estate Group ¹³	31	106	-71%
Other	9	-64	
Net profit Real estate ¹³	40	42	-5%
Bad debt costs (in basis points)	69	36	92%
Number of houses sold	8,206	9,278	-12%
Other information (in billions of euros)		31-Dec-11	31-Dec-10
Loan portfolio	19.0	17.8	7%
Assets under management	7.2	7.2	
Number of employees (in FTEs)	1,608	1,559	3%

Notes to financial results of real estate

Income up 8%

Rabo Real Estate Group saw its total income increase by 8%, rising to EUR 523 (483) million in 2011. An increase in lending and higher margins on new loans and renewals fuelled a 13% rise in interest income to EUR 277 (246) million. Commission income was up 52%, reaching EUR 41 (27) million, thanks to new loans and renewals, particularly in the first half of 2011, and higher commissions at Bouwfonds REIM. The increase in revenue from property development, especially in countries other than the Netherlands, was cancelled out by impairment losses on available land positions in the Netherlands. Other results fell by 2% to EUR 205 (210) million on balance.

Operating expenses up 19%

Rabo Real Estate Group's total operating expenses rose to EUR 332 (280) million in 2011. Owing, in part, to an increase in headcount, staff costs were up 4% to EUR 200 (193) million. Restructuring provisions were a contributing factor in the increase in other administrative expenses by 54% to EUR 122 (79) million. Depreciation and amortisation charges were virtually stable at EUR 10 (8) million.

¹³ The items 'profit for the year Rabo Real Estate Group' and 'net profit Rabo Real Estate Group' correspond to the financial results published by Rabo Real Estate Group itself. The item 'net profit real estate division' is inclusive of the amortisation and financing charges that were incurred due to the acquisition of Bouwfonds divisions and differences in accounting policies.

Bad debt costs at 69 basis points

The further decline in the Dutch property market led to an increase in value adjustments at Rabo Real Estate Group to EUR 136 (57) million, which corresponds to 69 (36) basis points of average lending.

Outlook for real estate

Rabo Real Estate Group is expected to continue to suffer from the poor property market in the years ahead. Consumer confidence in the housing market is low, because the crisis is being exacerbated by the lack of a clear strategic policy for the housing market. House buyers have a tendency to stay put as a result.

The property finance portfolio is not expected to grow much, if at all, in the persistently difficult market environment. The commercial property market is suffering from an imbalance between supply and demand, weighing down rentals and property values. Nevertheless, investors and tenants are still interested in high-profile office locations, such as railway stations and prime retail spots in stronger urban areas. Despite the challenging market, Rabo Real Estate Group wants to have a presence in top locations, focusing on sustainable properties. Knowledge of the market is paramount, especially in these uncertain times. Drawing on its market position and expertise, Rabo Real Estate Group is perfectly placed to grasp the few opportunities in this market.

Employees

Introduction

2011 was an eventful year from an HR perspective. It saw the publication of the new HR Vision and the Vision on Management Development, which both look at what working for Rabobank will be like in the future. Moreover, the agenda was dominated by the RN 2011 project. This programme has major consequences for a substantial group of Rabobank Nederland employees. In the second half of 2011, the spotlight was on the issue of remuneration. A group remuneration policy was developed and implemented in a short space of time. Finally, a new collective bargaining agreement (CBA) for Rabobank, De Lage Landen and Rabo Real Estate Group was concluded with the unions in 2011.

HR vision

'People connect the bank' is the updated version of our HR vision, 'People Make the Bank, Even Better'. The new vision is based on four perspectives on being connected – with clients, with society, with each other and with the future. These perspectives complement perfectly Rabobank's cooperative beliefs. Three HR challenges have been inferred from the HR vision. These are long-term employability, development of personal leadership and flexibility. Together with the visions on other HR issues, such as remuneration, learning and development, and management development, the HR vision forms an integrated whole.

Management development

The desire to raise management development to another level led to the new vision on management development, 'The story of MD; next level MD'. The essence of the new vision is the need to establish more explicit links with the development of the organisation, in accordance with the Strategic Framework. Also in 2011, a start was made on the updated management curriculum, which is the training programme for managers and team leaders at Rabobank Group. This programme describes the context in which Rabobank operates and challenges managers to apply this in their own annual plans and in daily practice. They also learn to enter into effective dialogues with their people.

Training and education

In today's rapidly changing world, Rabobank is asking its employees to continue to learn new skills in order to maintain their high professional standards. The training systems that supported this process have turned out not to be future-proof any more. The new learning system was developed, tested and implemented at 17 banks involved in the pilot project in 2011. The result is a more efficient logistic training process. Moreover, in this way employees gain insight into the qualifications that they already have and the development opportunities that are relevant to their jobs. Since management gains a good understanding of the qualifications held by employees, the system also supports the dialogue on professional skills conducted by managers and employees. The system will be implemented at all local Rabobanks early in 2012.

Employability

Employability will become much more important in the coming years owing to the expected labour shortage and the exodus of the baby boomer generation from the labour market. Rabobank recognises the importance of employability and for this reason in the spring it looked into long-term employability. To summarise, it transpires that there is fertile ground among managers and employees for improving employability. They recognise its usefulness, its importance and their own responsibility in this area. However, there is a discrepancy between expectations regarding the role played by managers and how this role is enacted in reality. Employees have clear expectations concerning their future prospects and their possibilities in the event of organisational change, but these expectations are only partially met. This situation can be seen at all group entities. In addition, discussions regarding employability frequently do not go any further and fail to lead to any goal-oriented action being taken. In 2012, a number of targeted campaigns will be developed.

Professional skills

During the past year, work was done on simplifying the policy on expertise. In the banking community there are legal requirements concerning the expertise of employees. The updated policy on expertise makes a clear distinction between what needs to be learned from a legal perspective (laws and general rules) and local responsibility for competent employees (professional skills). This distinction ensures that local Rabobanks are able to have as much control as possible over the development of employees, based on the local Rabobank's responsibility for serving clients. At the same time, employees and the bank can be confident that they fulfil the legal requirements. Under this new policy, employees are challenged, more than ever before, to take control of developing their own professional skills.

Local Rabobanks in 2011

In many respects, for the employees of the local Rabobanks 2011 was a continuation, albeit tougher, of 2010. Employees were presented with the challenge of combining their focus on the customer with a keener eye for risk and in some cases a vital internal focus. This is one of the reasons why Rabobank's new HR vision, 'People connect the bank', was communicated widely, with the aim of supporting employees and managers in their day-to-day considerations. Every day, the bank reconnects with its customers, society, its employees and the future. This calls for personal leadership and a sincere connection on the part of employees and managers. A good talk between employees and managers forms the basis for connecting.

The New World of Work

Rabo Unplugged has now become the style of working for many employees of Rabobank Nederland. It enables employees to decide for themselves how they should organise their work in order to provide better customer service. This style of working has made Rabobank Nederland a source of inspiration for many local Rabobanks and subsidiaries as well as outside organisations. Employees have mastered putting concepts such as freedom, responsibility and trust into practice. There are still gains to be made in a number of areas, such as social cohesion within entities and leadership, in the next few years. Rabobank Nederland's new building was brought into use in 2011. The building offers employees an inspirational working environment that is in keeping with the New World of Work.

Robeco is implementing the New World of Work by means of a programme, You!, which stands for individual opportunities and personal development as well as teamwork and knowledge sharing. The New World of Work is also on the agenda at De Lage Landen, and arrangements on exploring this issue further were made in the new collective bargaining agreement.

Diversity in the workplace

In 2011 Rabobank engaged in activities to increase diversity among its employees. At Rabobank Nederland, this led to a number of management trainees and corporate management trainees with a multicultural background being taken on at Group ICT. As a follow-up to the CBA arrangements on diversity, during the year under review Rabo Real Estate Group continued its pilot project in which vacancies at the administrative centre that are suitable for starters are placed with an employment agency for young people in receipt of disability benefits.

So far, no suitable people have been found this way. Initiatives have also been developed within the organisation to create jobs for people with a functional disability that limits their ability to perform work. Rabobank came top for diversity in a survey of employers organised by Management Team magazine. Encouraging more women to reach senior ranks remains an important issue. There is one woman on the Executive Board, and the Supervisory Board has had two female members since 2009. In 2011, 12.8% of senior management positions were held by women, compared with 12.2% in 2010. Specific attention is given to the proportion of female participants in the talent development programmes, such as the talent cooperative. As a result of this, 33% of participants in talent programmes in 2011 were women, compared with 24% in 2010.

Employer of choice

Rabobank continued to win top employer awards in 2011. In June, the bank won Intermediar magazine's favourite employer award in the Overall, Starters and Financial Institutions categories. Rabobank also managed to hold on to its position at the top of Intelligence Group's Barometer of Favourite Employers, and it was ranked first in the Financial Institutions sector by Incompany, a business magazine. In addition, a number of campaigns were conducted to position Rabobank Nederland and Rabobank International as an attractive employer in the ICT sector. The updated website www.rabobank.nl/werken received more than a million visits in the year following its launch in September 2010.

A new collective bargaining agreement

In March 2011, Rabobank and the trade unions De Unie, FNV Bondgenoten and CNV Dienstbond reached a consensus on a new collective bargaining agreement (CBA). The agreement, which runs from 1 May 2011 until 1 July 2012, covers some 40,000 employees of Rabobank Nederland, local Rabobanks and Obvion.

Among other things, the CBA includes arrangements on greater flexibility in working hours. Arrangements were also made concerning employability, and paternity leave was introduced. In keeping with the core value of sustainability, it was also agreed that commuting expenses are to be reimbursed in full for employees who travel by public transport. Finally, a pay increase was agreed of 1.5% as of 1 July 2011, and the personal budget was increased from 2.5% to 2.9%.

De Lage Landen concluded a one-year CBA with effect from 1 February 2011. With regard to remuneration policy, the CBA states that a one-off adjustment of 1.75% was to be made with effect from 1 April 2011 and that pro-rata exit bonuses would no longer be paid (with the exception of departures due to special reasons, such as a Social Charter or a transfer to another Rabobank Group entity). In addition, a 38-hour working week was introduced on 1 February 2011, the arrangements for shift work were terminated and the procedure for obtaining accreditation of prior learning now also applies to graduates of universities of applied sciences.

On 1 April 2011, Rabo Real Estate Group agreed a CBA with the unions, under the motto of 'working on the basis of opportunities'. This is a continuation of the policy on long-term employability. Rabo Real Estate Group believes it is important to continue to be an employer of choice, despite the turbulent times the organisation is experiencing. 'Working on the basis of opportunities' requires managers and employees to adopt a client-focused, enterprising, committed and flexible approach. A number of terms of employment designed to promote long-term employability are detailed in this CBA. These include the introduction of a new methodology for variable pay, the expansion of the budget containing options to include some of the leave (standard leave and leave related to the reduction in working hours) that is in excess of legal requirements, and the extension of the scope of the arrangements for older employees to include part-time employees.

RN 2011: improved support and necessary savings

The RN 2011 project is aimed at improving the support Rabobank Nederland provides to local Rabobanks while at the same time reducing costs. The suggestions for improvement were approved by the Executive Board in July 2011. They were also checked by a guidance

committee, made up of nine directors of local Rabobanks, to ensure they are appropriate given practices at local Rabobanks. The Works Council of Rabobank Nederland has been involved in the operation from the outset. In October, it issued a generally positive recommendation regarding the suggestions for improvement and the associated section on personnel. It issued similar recommendations in respect of requests for follow-up recommendations in November. Rabobank and the unions entered into discussions on the loss of some 400 internal jobs in 2012 and 2013. The starting point here is that superfluous employees are to be provided with assistance in finding a new job at Rabobank or elsewhere. Agreement was also reached on the Social Charter from the Rabobank CBA. These additional arrangements apply to reorganisations that have an impact on staffing at Rabobank Nederland (with the exception of Rabobank International) until 1 January 2014. A temporary mobility centre, 'Nieuw Perspectief' (New Perspective), has been set up to provide superfluous employees with professional, consistent support and ensure that as many of these employees as possible find work within our outside the bank.

Pension funds

Pension provisions for employees of the local Rabobanks, Rabobank Nederland, De Lage Landen, Obvion, Orbay and the Rabo Real Estate Group are administrated by the Rabobank pension fund. The coverage ratio of the Rabobank pension fund was 115.8% at the end of 2011 (119.9%). Given the required coverage ratio of 109.6%, this means that the fund had a reserve surplus of 6.2%. This places the fund in a select group of pension funds that have a reserve surplus rather than a coverage shortfall. The regulator, the Dutch Central Bank (DNB), has instructed pension funds to use the average interest rate in the fourth quarter, as a one-off, to calculate their obligations. As a consequence of this, the coverage ratio of the Rabobank pension fund was around four percentage points higher than it would otherwise have been. The national pension accord and the associated rules and regulations, as well as changes affecting the annual reporting requirements for Rabobank Group according to IFRS, give grounds to revise the pension plan. A broadly based project organisation, comprising the employer, employee representation, the members' council and the unions, has been called into being for this project.

The Robeco pension plan is a 'staggered' plan, based on defined benefits for all scales up to and including scale 10. For all scales above 10, members are provided with a defined contribution that can be also be added to their gross salary if they so wish. With effect from 2011, for some employees the final salary system was replaced by an average salary system with conditional indexation. In view of the coverage ratio at year-end 2011, no supplement was granted as of 1 January 2012 on accrued entitlements and pensions that had commenced payment. The coverage ratio of the Robeco pension fund was 108% at the end of 2011.

Getting better

In January, the new objectives for the Occupational Health & Safety Policy 2011/2012 were adopted at Rabobank Nederland in consultation with employee representatives and the unions. As part of this, the absenteeism target in 2011 was made tougher and reduced from 4.0% to 3.8%. However, the rate of absenteeism increased from 3.8% in 2010 to 3.9% in 2011, chiefly due to an increase in the length of time employees were absent. The average duration of a period of absenteeism was 15 days in 2011 (2010: 13.4 days). The incidence of frequent absenteeism (employees who reported sick more than twice in 2011) fell to 13.8%. The proportion of employees who did not report sick at all in 2011 rose from 36.5% in 2010 to 39% in 2011. The diagnosis codes of employees who have contact with a company doctor were recorded for the first time in 2011. Psychological complaints (50%) and complaints related to the locomotor system (17%) were the most common diagnosis categories. Patients and managers gave the level of support by the Occupational Health & Safety Service scores of 7.7 and 7.5, respectively.

The rate of absenteeism at Robeco in 2011 was 2.8%. Managers at Robeco are becoming increasingly aware of the importance of providing prompt, appropriate support to employees during their absence, focusing on the possibilities for reintegrating employees who are ill.

Prevention is better than cure

In 2011, the employee surveys were updated to include new aspects such as enterprise and employability. In this way, the surveys focused more on the personal attitudes of employees than in previous years. In addition to pressure of work and/or work-related stress, starting in 2011 factors that re-energise employees, such as inspiration, are also covered. Since 2010, branches and departments have been awarded a vitality score that is linked to the employee survey. Vitality is said to exist if physical, mental, social, emotional and inspirational aspects are in balance. The guiding principle is that employees who are full of vitality are more productive. Rabobank Nederland and local Rabobanks achieved a vitality score of 64.6% in 2011. In 2011, a start was made on ensuring that Rabobank Nederland's buildings are a smoke-free zone, and smoking is to be banned from all buildings by 1 January 2013. In addition, many employees of Rabobank Nederland have adopted the 'Unplugged' style of working. The Occupational Health & Safety Service offers training courses and tools to promote behaviour at work that is healthy from both a physical and mental perspective. Every year, the Rabobank Group Occupational Health & Safety Service evaluates the activities of confidential contact persons. This provides insight into the number of reports submitted to the confidential contact persons and the nature of these reports. In 2011, 65% of the confidential contact persons were approached, which is the same percentage as in 2010. On average, 2.6 reports were submitted per confidential contact person. At Robeco, five employees contacted the confidential contact person in 2011.

Disputes and malpractices

The aim of the advisers of the Employment Disputes Committee (EDC) is to help managers and employees work together, at their own place of work, to resolve their disputes wherever possible. In 2011, there was a sharp increase in the number of cases handled by the EDC. A total of 335 cases were handled, up by nearly 100 compared with 2010. It appears that this increase is partly down to the fact that the existence of the committee and the possibilities it offers has been communicated more widely. Many cases concerned future prospects (40%) and performance (20%). The other cases related to terms of employment (17%), reorganisations (12%) or working relationships (11%). The most common way in which disputes were handled was by providing advice (82%). A total of 15% of disputes involved mediation (5% over the telephone, and 10% in face-to-face meetings). Very little use was made of the possibility of a binding decision from the EDC. Only 9 disputes (3%) involved such requests, and in the end only three actually resulted in a hearing and a decision. Two disputes were reported and dealt with at Robeco, and there were no disputes reported at De Lage Landen at all in 2011.

Rabobank Nederland and the local Rabobanks have a Regulation on the Internal Reporting of Malpractice (whistleblower regulation). Under this regulation, an external confidential contact person has been appointed to whom employees can report malpractices. Employees at a number of Rabobank Nederland subsidiaries can also make use of this regulation, while Robeco, Rabo Real Estate Group and De Lage Landen have their own whistleblower regulations. Employees of foreign branches can use local whistleblower regulations or the Trusted Persons Network (TPN) offered by KPMG.

In 2011, the confidential contact person received ten reports or questions from employees. Of these cases, three were passed on to the Whistleblower Regulation Confidential Committee. In five cases, the conversation with the external confidential contact person provided the person reporting the case with a better understanding of the situation or led him or her to decide that the matter did not need to be dealt with. The external confidential contact person decided that two cases did not come under the whistleblower regulation, and the persons who reported them were referred to another regulation. In 2011, the confidential contact person received reports through the TPN for the first time. Four cases were reported, all of which were submitted to the Whistleblower Regulation Confidential Committee.

Group Remuneration Policy

Rabobank believes it continued to pursue a prudent, restrained remuneration policy in 2011. This remuneration policy is reflected in the Group Remuneration Policy (GRP) as adopted by the Executive Board and approved by the Supervisory Board. The GRP elaborates on the

principles underlying the remuneration policy, as set out in the Vision on Remuneration published in 2010. In addition, Rabobank is pursuing its own, relatively moderate policy on setting pay.

The GRP applies to the whole of Rabobank Group in the Netherlands and in other countries. It was prepared in line with the requirements set by the European Capital Requirements Directive (CRDIII) regarding restrained remuneration in the financial sector. In the Netherlands, these requirements are enshrined in law in the Restrained Remuneration Policy (Financial Supervision Act) Decree and the Regulations on Restrained Remuneration Policy (Financial Supervision Act) 2011. Under the new policy, a number of practices are prohibited in respect of Rabobank Group employees, the most important of which is that variable pay may no longer be guaranteed. The new policy also gives the Supervisory Board of Rabobank Nederland the possibility of deciding that no variable pay is to be paid out if this were to adversely affect the robustness of Rabobank Group and its ability to continue as a going concern in the long term. In addition, specific rules apply to setting variable pay for Identified Staff (employees who could have a material impact on Rabobank's risk profile owing to their position) and employees in monitoring positions (Risk Management, HR, Control, ARG and Compliance), in accordance with the aforementioned legislation and regulations.

All employees	Identified Staff	Employees in monitoring positions
General ban on awarding guaranteed bonuses	Three levels of performance targets: Rabobank Group, group entity and individual Maximum of 50% of performance targets to be financial targets	At least 70% of performance targets to be job-specific No financial objectives at the level of employee's own monitoring role, to safeguard independence.
Claw-back of bonuses paid previously in the event of fraud and/or inaccurate information	Significant portion of variable pay (at least 50%) to be deferred for three years, with the deferred portion subject to ex-ante and ex-post risk tests	
General ban on discretionary pension commitments and hedging strategies relating to variable pay	50% of total variable pay to be paid out in the form of financial instruments whose value is linked to the price of Rabobank Member Certificates	

The annual appraisal and remuneration cycle, including the defining and measuring of performance targets, is designed to ensure that the right targets are chosen to increase customer focus and care and shore up the robustness of the organisation and its ability to continue as a going concern in the long term. The introduction of the GRP has reinforced Rabobank's governance structure in a number of areas, for example with regard to group-wide supervision by the Supervisory Board and the Executive Board of the awarding and payment of variable pay to Identified Staff. In addition, monitoring committees have been established at all group entities and subsidiaries. These committees are responsible for conducting risk tests of the overall and individual variable pay of Identified Staff and advising the Supervisory Board on the approval of such variable pay. The tests are designed to reduce the risks associated with variable pay and at the same time remove any undesirable incentives.

Corporate governance

Rabobank Group is comprised of independent local Rabobanks, Rabobank Nederland, their umbrella organisation, and a number of specialist subsidiaries. Given its mission, Rabobank puts customer interests first in its day-to-day operations. In other words, it is Rabobank's ambition to offer its customers suitable and appropriate financial services. The bank's cooperative structure allows it to build long-term relationships with customers, which helps to guarantee continuity of services in times of profitability and encourages sustainable investments in customer relations on an ongoing basis.

The local Rabobanks are the core of the Rabobank organisation. Similar to Rabobank Nederland, they are independent cooperatives. The local Rabobanks, for their part, are members of, and shareholders in, Rabobank Nederland.

The local Rabobanks are deeply rooted in their local geographical areas and their goal is to contribute to the development of the local economy. The local Rabobanks are organised in twelve Regional Delegates Assemblies, each with a Board whose members also sit on the Central Delegates Assembly, a body responsible for much of Rabobank Nederland's policy-making. The Regional Delegates Assemblies appoint the members of the Central Delegates Assembly as their representatives at local and group level. All local Rabobanks together form the General Meeting of Rabobank Nederland, the highest body in the governance structure, whose responsibilities include appointing the members of the Supervisory Board of Rabobank Nederland.

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

Dutch Corporate Governance Code

Rabobank Nederland has decided to pursue voluntary compliance with the Dutch Corporate Governance Code, although, as a cooperative, it is under no obligation to do so. Due in part to its cooperative structure, Rabobank Nederland does not comply with the Dutch Corporate Governance Code in a number of respects. For more information on this topic, please log on to www.rabobank.com/investor_relations/corporate_governance/.

Dutch Banking Code

The Board of the Dutch Banking Association adopted the Banking Code for Dutch banks in 2009 in response to a report entitled 'Restoring Trust' (Naar herstel van vertrouwen) published by the Advisory Committee on the Future of Banks. Rabobank Nederland modelled its governance structure on the Banking Code in 2010, after having made the necessary preparations in 2009.

Rabobank Group Code of Conduct

We take our place in society, all the while adhering to four core values that are embedded in our mission and ambition: respect, integrity, professionalism and sustainability. All member banks of Rabobank Group endorse these principles, which govern the actions of all of our employees. We address our core values in the Rabobank Group Code of Conduct. Our core values and the Rabobank Group Code of Conduct have regularly been brought to our employees' attention over the past few years.

Several practical tools were developed and offered to allow our people to act in accordance with the Rabobank values and philosophy (Ambition Statement, Rabobank Group Code of Conduct and specific codes of ethics), the idea being to help them make responsible decisions. The core values and the Rabobank Group Code of Conduct were already embedded in HR instruments earlier. Our ongoing focus on the Rabobank Group Code of Conduct and on how to tackle dilemmas is also reflected in the moral and ethical declaration that was ratified in 2010.

Cross-guarantee system within Rabobank Group

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

Local Rabobanks

The local Rabobanks have a cooperative structure. Their members are locally based clients. These local Rabobanks, their members and their clients make up Rabobank Group's cooperative core business. Being at the heart of society, they are committed, nearby and leading in their service offering. In mid-2010, the General Meeting of Rabobank Nederland decided to replace the different governance models that were optional for the local Rabobanks (Partnership Model and Executive Model) by a single new governance model: the Rabo Model. Except for a few branches, all local Rabobanks have now adopted the Rabo Model. The branches that have not switched to the new model will amend their Articles of Association in 2012.

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

In addition to decisive management and independent supervision, the governance model also safeguards effective member influence. The members of local Rabobanks have important powers under the Articles of Association, for instance. An active and open dialogue with customers and members via the Member Council and several panels helps to stay attuned to the members' needs and keep a connection with the local area.

Management Team

Every local Rabobank has a multi-person Management Team made up of banking professionals, who collectively conduct the branch's management. The Management Team is appointed by the local Supervisory Committee, subject to the approval of Rabobank Nederland. The Management Team operates under the supervision of the local Supervisory Committee. The Management Team has a balanced composition based on complementarity in order to guarantee effectiveness of management. One of the Management Team's key responsibilities is to achieve member commitment and member influence.

Supervisory Board

The members of the local Supervisory Committee are nominated by the local Supervisory Committee and appointed by the Member Council, subject to the approval of Rabobank Nederland. One of the duties of the local Supervisory Committee is to supervise the local cooperative across the spectrum, including the Management Team's policies and the general conduct of business at the cooperative and its operations. Key management decisions are subject to the approval of the local Supervisory Committee. The local Supervisory Committee also monitors compliance with internal and external rules. The local Supervisory Committee is responsible for appointing, evaluating, suspending and removing the members of the Management Team. Finally, the local Supervisory Committee and the Management Team together represent the local Rabobank in the Regional Delegates Assembly as a member of Rabobank Nederland.

The members of the Supervisory Committee are from different backgrounds and bring different experience and skills to the table, which creates an effective system of checks and balances, and provides the right balance between professional bankers and professionals from other disciplines. Rabobank Nederland offers the local Supervisory Committee members a programme of continuing education courses to increase their knowledge of the organisation, maintain their professional outlook and allow the mutual exchange of ideas.

The local Supervisory Committee is held accountable for its supervision in a Member Council meeting; in addition, a report of the Supervisory Committee is included in the local Rabobank's annual report.

Member Council

Clients can become involved in their local Rabobank by becoming a member, which gives them influence and control over the future their local branch. The members represent the clients. They are familiar with the members' and clients' wishes and opinions, and know all about the local area and environment.

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

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

General Meeting

The General Meeting of a local Rabobank decides on major issues that impact the continuity of the branch, e.g. decisions on dissolving the cooperative or terminating its membership of Rabobank Nederland. The Member Council exercises all other powers.

Works Council

Each local Rabobank has its own Works Council to discuss representation issues affecting that particular branch. The Management Team is responsible for calling in the local Works Council adequately and promptly, both formally and informally, when the situation or developments within the bank so warrant. The rights of the local Works Council include the right to be informed, the right to be consulted, the right of consent and the right of initiative.

In order to achieve the best possible employee representation, the local Works Council consults with the chairman of the Management Team during Consultative Meetings.

The general state of affairs should be discussed in a Consultative Meeting on at least two occasions every year. The local Supervisory Committee is also represented in this Meeting. The local Supervisory Committee is also present during Consultative Meetings addressing important consultative issues, or a planned appointment or removal of the chairman of the Management Team.

Group Works Council of Member Banks

The Group Works Council of Member Banks is the central employee representative body of all the local Rabobanks that looks after the interests of the local branches' employees.

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

The Group Works Council of Member Banks deliberates with the Executive Board of Rabobank Nederland prior to the Central Delegates Assembly.

Rabobank Nederland

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

In addition to providing support to the local Rabobanks, Rabobank Nederland has other roles too. It is a shareholder, for instance, in several specialist subsidiaries, including Robeco, De Lage Landen and Rabo Real Estate Group. Rabobank Nederland also operates its own banking business, i.e. Rabobank International. Rabobank Nederland has a presence in the international financial markets and is responsible for the Group's money and capital market transactions.

Finally, Rabobank Nederland is responsible for exercising oversight of the local Rabobanks pursuant to the Dutch Financial Supervision Act. In accordance with its Articles of Association and those of the local Rabobanks, Rabobank Nederland oversees the local Rabobanks by monitoring their control and the integrity of their business processes, outsourcing, solvency and liquidity. In addition, with respect to conduct-of-business supervision, the Dutch Ministry of Finance has designated Rabobank Nederland as a holder of a collective licence under the Dutch Financial Supervision Act, meaning that the Netherlands Authority for the Financial Markets supervises the conduct-of-business at the local Rabobanks through Rabobank Nederland.

As a cooperative, Rabobank has members rather than shareholders as listed or unlisted companies do. The local cooperative Rabobanks are members of the Rabobank Nederland cooperative, which is why they play an important role in Rabobank Nederland's governance structure. In that context, a key element is the open and transparent culture, with clear accountability for management and supervision, and their evaluation. The influence and control of the local Rabobanks are reflected in their representation in two bodies: the Central Delegates Assembly and the General Meeting.

Executive Board

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

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

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

Every member of the Executive Board is thoroughly familiar with the financial sector in general and with banking in particular, with Rabobank's role in society, and with stakeholder interests. In addition, every executive director has the in-depth knowledge that is required to be able to understand the main aspects of Rabobank Nederland's overall policy and to independently form a balanced opinion of the associated risk exposures. The members of the Executive Board take part in a continuing education programme that was developed especially for them. The Supervisory Board periodically evaluates the performance of the Executive Board and follows up on the outcome.

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

Supervisory Board

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

Key decisions by the Executive Board are subject to Supervisory Board approval. Such decisions would include decisions on the strategy that is to lead to targets being achieved and on the parameters of that strategy, e.g. in relation to financial risks and relevant CSR aspects, on the annual adoption of the policy plans and the budget, and on operational and financial targets. The supervisory duties focus on risk management in particular. The Supervisory Board also plays an important role in the group-wide remuneration policy.

Candidates for a seat on the Supervisory Board can be nominated by the Executive Board, the Works Council of Rabobank Nederland and the General Meeting. The members of the Supervisory Board are appointed by the General Meeting of Rabobank Nederland, on the nomination of the Supervisory Board. Key considerations in nominating and appointing Supervisory Board members are their expertise and independence as individuals. The profile describes the integrity, and the expertise and level of availability that the Supervisory Board feels are needed. The members of the Supervisory Board take part in a continuing education programme that was developed especially for them. The Confidential Committee of the Central Delegates Assembly sets the remuneration of the supervisory directors.

The Supervisory Board has five committees that help prepare the Supervisory Board for its decision-making and provide advisory input. These are the Audit, Compliance & Risk Committee, the Cooperative Affairs Committee, the Appointment Committee, the Remuneration Committee and the Appeals Committee.

Central Delegates Assembly

The local Rabobanks are organised geographically in twelve Regional Delegates Assemblies, each with their own Board. Together, the Boards of the Regional Delegates Assemblies form the Central Delegates Assembly (CDA), which meets four times a year. The Regional Delegates Assemblies appoint most of the members of the Central Delegates Assembly as their representatives at local and group level. The Regional Delegates Assemblies discuss the agenda items prior to the Central Delegates Assembly. They can also table agenda items for their own meetings. The Regional and Central Delegates Assemblies have an important say in the policy-making process in the Rabobank organisation.

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

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

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

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

The Executive Board of Rabobank Nederland informs the Central Delegates Assembly of its policies and explains its reasoning. In order to operate effectively, the Central Delegates Assembly has appointed committees from among its members, which are charged with specific duties. The Confidential Committee advises on appointments to the Supervisory Board, determines the remuneration of the supervisory directors, and reviews whether the Supervisory Board has properly applied the remuneration policy. The Central Delegates Assembly's Coordinating Committee adopts the agenda for the Assembly and performs formality checks of the agenda items. The Emergencies Committee represents the Central Delegates Assembly in advising the Executive Board on urgent, price-sensitive and/or confidential issues, mainly involving major capital expenditures, acquisitions or disposals.

General Meeting

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

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

Works Council

Rabobank Nederland Works Council

The Rabobank Nederland works Council is the bank's employee representation body. One of the duties of this Works Council is to monitor compliance with the collective bargaining agreement, health and safety legislation, and the Working Hours Decree.

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

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

European Works Council

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

Rabobank Group

Rabobank Group refers to the group that Rabobank Nederland forms with its members, the local Rabobanks and a number of specialist subsidiaries.

Dutch Banking Code

Background

The financial crisis that began in mid-2007 led to a profound public debate on the performance of financial institutions. In the Netherlands, the Advisory Committee on the Future of Banks took the lead in this debate by publishing a report entitled 'Restoring Trust' (Naar herstel van vertrouwen) on 1 April 2009. The banking industry held various follow-up talks on this matter, in which Rabobank actively participated. These talks led to the publication of the Dutch Banking Code, which was adopted by the Dutch Banking Association (NVB) on 9 September 2009 and came into effect on 1 January 2010. The Banking Code is enshrined in law.

The Banking Code forms part of a set of national, European and international laws and regulations, case law and codes, parts of which are still being developed. Banks have to take this entire framework into account when applying the Banking Code. The Banking Code contains provisions on the structure of a bank's governance, risk management, audit function and remuneration policy. At the same time, it provides third parties with a tool they can use to ascertain whether banks have taken the right steps in response to the financial crisis. The Banking Code is intended to help restore trust in the financial sector.

Rabobank fully complies with the Dutch Banking Code. This section looks at the context in which the provisions of the Banking Code are applied, and briefly describes how the provisions have been implemented. Compliance with the Banking Code is based on the 'comply or explain' principle. Rabobank values transparency and clear accountability. Further information concerning the particulars of each provision can be found in a separate appendix to this Annual Report that is available on our website: www.rabobank.com/annualreports.

Scope of the Dutch Banking Code

Local Rabobanks

A policy is in place at Rabobank Group to ensure the group-wide application of the Dutch Banking Code in all group entities established in the Netherlands, including the local Rabobanks. This policy covers such aspects as risk management, audits and remuneration. Given the structure of Rabobank Group, in instances where the Banking Code mentions the executive board and the supervisory board, this refers to the bodies of Rabobank Nederland rather than to the management teams and supervisory committees of the individual local Rabobanks. The Banking Code therefore does not apply to the individual local Rabobanks.

Subsidiaries

At Rabobank Group, Robeco and Rabo Real Estate Group report separately on the application of the Banking Code. As De Lage Landen does not publish an annual report of its own, reporting on the application of the Banking Code at De Lage Landen has been consolidated in this Annual Report. Considering the group policy on risk management, audits and remuneration, De Lage Landen complies in full with the relevant provisions of the Banking Code. The composition and performance of the supervisory board of De Lage Landen reflects the fact that De Lage Landen is a wholly owned subsidiary of Rabobank Nederland.

Rabobank: customer interests and risk management as guiding principles

Rabobank naturally endorses the Banking Code and believes it is important that the sector improves the organisation and operation of internal functions.

Governance: Executive Board

The main subjects covered in this section of the Banking Code include the duty of care ('focusing on the customer') and the moral and ethical declaration.

Focusing on the customer

The Rabobank Group Code of Conduct and Rabobank's ambition statement enshrine the principles of focusing on customer interests and treating customers with due care. This is reflected in our products and services, and in our service philosophy. Focusing on the interests of customers is nothing new for Rabobank. This principle has its roots in Rabobank's cooperative structure, in which clients can become members of the cooperative and influence the way in which the bank functions. Serving the interests of members, i.e. the bank's clients, was in fact the main guiding principle at the time Rabobank was founded, more than 110 years ago.

Each Rabobank group entity has had a Product Approval Committee for some time. These committees check the quality of products and assess whether the information received by customers is easy-to-understand, balanced and complete. They also monitor whether new products and services meet the needs of customers; in addition, the existing product offering is examined to determine whether it still fulfils current requirements. In 2011, Rabobank continued to simplify its range of products, including mortgages, payment platforms, consumer loans, savings products and investment products. This has made the product range more transparent for customers, and many products have become more affordable, too. Rabobank pays a great deal of attention to simplifying the language used in its product information, proposals and terms and conditions, so that they are clear and easy-to-understand for customers. In addition, we make improvements to the information and texts on our website on an ongoing basis in order to provide customers with clear, comprehensive and accurate information.

The employees of the local Rabobanks and Rabobank Nederland aim to provide top-quality, well-considered services. The performance targets agreed with them are balanced, and the performance management system used means that variable pay is relatively restrained. Customer focus is a core competency on which employees have always been judged. It is also an important criterion applied by Rabobank in its recruitment policy. This begins at the level of communication with the labour market and in job ads. The induction programmes for new employees also pay plenty of attention to Rabobank's core values of respect, integrity, professionalism and sustainability.

We use management and compliance reports to monitor the quality of our customer service and customer care on an ongoing basis. All these aspects ensure that Rabobank's corporate culture truly focuses on the customer. In turn, this culture and approach ensure that Rabobank is consistently awarded a high customer satisfaction rating, as demonstrated in internal and external surveys.

Moral and ethical declaration

The moral and ethical declaration, which was signed by every executive director, has been posted online. The principles set out in the moral and ethical declaration are continuously brought to the attention of Rabobank Group's employees, with emphasis being placed on the Rabobank Group Code of Conduct and dealing with dilemmas. The Code of Conduct encompasses all of the principles contained in the moral and ethical declaration. The document pack given to new employees on joining Rabobank refers to the Code of Conduct, and a section of the employment contract is devoted to the Code of Conduct. Further information on the Code of Conduct can be found in the corporate governance section of this Annual Report.

Notwithstanding the moral and ethical declaration and the Code of Conduct, we need to demonstrate in our day-to-day conduct in particular that we act in accordance with the spirit of these principles. This is evaluated on an ongoing basis.

Continuing education

The members of the Executive Board take a number of half-day continuing education courses every year. The continuing education curriculum includes relevant developments at Rabobank and in the financial sector, corporate governance in general and that of the financial sector in particular, the duty of care towards customers, integrity, risk management, financial reporting and audits. Depending on the topic, the continuing education sessions are taught by both internal and external experts. In 2011, the Executive Board educated itself about such topics as developments involving Basel III, competition law and trends in world food prices.

In addition to the continuing education curriculum, newly appointed executive directors are offered a tailor-made induction programme, within the context of which they talk to several internal and external experts, and make working visits.

Supervisory Board

The Supervisory Board of Rabobank Nederland has a diverse composition. New members of the Supervisory Board follow an induction programme to prepare them for their role. A training programme is set up for supervisory directors annually. The selection of topics takes account of current developments and the expertise required within the Supervisory Board. In 2011, sessions were organised on such topics as developments involving Basel III, competition law and trends in world food prices. As part of the continuing education programme, the members of the Supervisory Board also pay working visits. In the spring of 2011, the Supervisory Board visited a number of Rabobank branches in the United States to review their operations and the current state of affairs.

Individual profiles are drawn up for all vacancies on the Supervisory Board, including openings for the position of Chairman. The profiles describe the integrity, expertise and availability required of the relevant Supervisory Board member.

Furthermore, every year the Supervisory Board evaluates the performance of the Supervisory Board as a whole and that of its individual members. Further information on the activities of the Supervisory Board in 2011 can be found in the report of the Supervisory Board contained elsewhere in this Annual Report.

Risk management

Another central theme of the Dutch Banking Code is risk management. Rabobank Group's conservative risk profile stems from the sound objectives of stability and solidity that Rabobank has pursued for many years. Moreover, Rabobank was also found to have controlled risks effectively during the recent period of economic and financial turmoil, and it is considered to set a good example for the sector. In stepping up risk management in 2011, a top-down risk assessment was performed that included a more integrated analysis of the various risk categories. In addition, the different group entities further fleshed out their own risk appetite. A separate section on risk management can be found elsewhere in this annual report.

Risk appetite

Risk management takes place within the boundaries of risk that Rabobank is prepared to accept. Rabobank has formulated a specific policy on this risk appetite at group level. The Risk Appetite Paper that we drafted 2010 was in compliance with the provisions of the Banking Code. This Paper was adopted by the Executive Board and approved by the Supervisory Board. Rabobank's strategy was taken as a starting point when defining the risk appetite. Rabobank's risk appetite, which is linked to its core values, is submitted to the Supervisory Board for approval once a year and also whenever any material changes occur. Following on from the risk appetite at group level, in 2011 separate risk appetite papers were prepared for all material group operations.

Product approval

The product approval process has been organised at group level. At the end of 2010, a group framework came into effect that describes Rabobank Group's policy on the product approval process and focuses on safeguarding product quality. Standards also apply to product approval procedures and their organisation, as well as to individual product testing by group entities. In this way, Rabobank is taking responsibility for its relationship with customers and for the level of quality it offers. Group Audit checks whether the product approval process has been designed properly, is present and is working effectively.

Audits

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

Remuneration policy

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

Group Remuneration Policy

As in previous years, Rabobank continued to pursue a prudent and restrained risk policy in 2011, which is reflected in the bank's remuneration policy. To find out more about the Group Remuneration Policy, please consult the section on employees elsewhere in this Annual Report.

Severance pay: comply or explain

Members of the Executive Board appointed prior to 1 January 2010 receive severance pay based on the subdistrict court formula in the event of their removal. This entitlement to severance pay was laid down in agreements made previously with the relevant members of the Executive Board and constitutes a departure from the relevant provision of the Banking Code. As Rabobank has opted to comply with the provisions of the Banking Code, any severance pay due to newly to be appointed members of the Executive Board will be governed by the relevant Banking Code principle.

Management

Members of the Executive Board of Rabobank Nederland

Members of the Executive Board and areas of responsibility

Piet Moerland (P.W.)

Chairman

- Group Audit
- Compliance
- Legal and Tax
- Knowledge and Economic Research
- Communications
- Corporate Secretary's Office



Sipko Schat (S.N.)

- Rabobank International Wholesale
- Corporate Clients
- Corporate Finance
- Trade & Commodity Finance
- Global Financial Markets
- Private Equity
- Real Estate



Bert Bruggink (A.)

CFO

- Group Control
- Group Risk Management
- Credit Risk Management
- Treasury Management
- Special Accounts



Piet van Schijndel (P.J.A.)

- Private Clients
- Private banking
- Group ICT



Berry Marttin (B.J.)

- Rabobank International Rural and Retail Banking
- Regional International Operations
- International Risk Management
- Rabo Development



Gerlinde Silvis (A.G.)

- Corporates
- Operations Management
- Member Banks Support
- Cooperative and Sustainability
- Human Resources Rabobank



Company Secretary

Rens Dinkhuijsen (L.A.M.)

Supervisory Board of Rabobank Nederland

Members of the Supervisory Board

Name	Position	First appointed in	Term of service scheduled to expire in
Lense Koopmans (L.)	Chairman	2002	2013
Antoon Vermeer (A.J.A.M.)	Deputy Chairman	2002	2014
Martin Tielen (M.J.M.)	Secretary	2002	2013
Irene Asscher-Vonk (I.P.)	Deputy Secretary	2009	2013
Bernard Bijvoet (B.)	member	2002	2012 ¹⁴
Tom de Bruijn (A.)	member	2009	2013
Wout Dekker (W.)	member	2010	2012 ¹⁵
Leo Graafsma (S.L.J.)	member	2010	2014
Louise Fresco (L.O.)	member	2006	2014
Erik van de Merwe (E.)	member	2010	2012 ¹⁵
Rinus Minderhoud (M.)	member	2002	2014 ¹⁶
Cees Veerman (C.P.)	member	2007	2015 ¹⁶
Arnold Walravens (A.H.C.M.)	member	2004	2011 ¹⁶

14 Having reached the maximum term of office, Mr Bijvoet will step down from the Supervisory Board without being available for re-appointment in 2012.

15 Mr Dekker and Mr Van de Merwe are scheduled to retire from the Supervisory Board by rotation and will be available for re-appointment in 2012.

16 Mr Minderhoud and Mr Veerman were re-appointed to the Supervisory Board of Rabobank Nederland on 16 June 2011; Mr Walravens retired from the Supervisory Board on that same date.

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

Directors and CEOs

Directors of Rabobank Nederland¹⁷

Arjo Blok (A.J.)	Global Financial Markets
Jan Bos (J.J.)	Group Control
Ralf Dekker (R.J.)	Rabobank International
Paul Dirken (P.H.J.M.)	Corporates
Pieter Emmen (P.C.A.M.)	Group Risk Management
Ab Gillhaus (A.J.)	Credit Risk Management
Rob Kemna (R.A.C.)	Operations Management
Lex Kloosterman (L.A.M.)	Rabobank International
Harold Knebel (H.A.J.M.)	Rabo Cycling Team
Jos van Lange (J.H.P.M.)	Rabo Real Estate Group
Hans van der Linden (J.A.M.)	Rabo Real Estate Group
Pim Mol (P.W.)	Private Banking
Jan van Nieuwenhuizen (J.L.)	Rabobank International
Rik Op den Brouw (H.)	Private Clients
Sander Pruijs (J.A.)	Rabobank International
Harry de Roo (J.H.)	Rabobank International
René Steenvoorden (R.A.)	Group ICT
Rinus van der Struis (M.)	Group Audit
Jan van Veenendaal (J.)	Legal and Tax
Fred Weenig (F.)	Rabobank International

CEOs of key subsidiaries

Roderick Munsters (R.M.S.M.)	Robeco
Hans van der Linden (J.A.M.)	Rabo Real Estate Group
Gerbert Mos (G.A.)	Schretlen
Ronald Slaats (R.A.M.)	De Lage Landen
Ronald Touwslager (R.)	Obvion
Jacek Bartkiewicz (J.)	Bank BGZ
Sander Pruijs (J.A.)	ACCBank
Joachim Straehle (J.H.)	Sarasin

17 At 1 February 2012

Report of the Supervisory Board of Rabobank Nederland

www.rabobank.com/management

Rabobank managed to shore up its already robust financial position in 2011, despite the global economic decline. We had Rabobank's unique governance structure, with its cooperative checks and balances system, to thank for this. The debt crisis, which worsened in the second half of 2011, affected the financial performance of Rabobank Group. Competition on the savings market increased and bad debt costs at the local Rabobanks were up. Robeco, Rabo Real Estate Group and Achmea also saw a drop in their profitability. Although profit was lower than forecasted at the start of the year, the Supervisory Board is satisfied with the financial results given the current state of the market.

Proposal to the General Meeting

In accordance with the relevant provisions of the Articles of Association of Rabobank Nederland, the Supervisory Board has reviewed the annual report and the financial statements for 2011 of Rabobank Nederland and of Rabobank Group, and any annexed information. The Supervisory Board discussed these documents with the Executive Board, the internal auditors and Ernst & Young Accountants LLP, the independent external auditors, and took note of the unqualified auditor's report that Ernst & Young Accountants LLP issued on the financial statements 2011. The Supervisory Board proposes that the General Meeting of Rabobank Nederland adopts the financial statements 2011.

Corporate governance

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

Supervisory Board of Rabobank Nederland

The members of the Supervisory Board have been listed in the 'Management' section above. The profile for the Supervisory Board has been posted on the corporate website. The section on corporate governance describes the duties and responsibilities of the Supervisory Board and its role in Rabobank Nederland's governance structure.

In performing its duties, the Supervisory Board focuses on the interests of Rabobank Nederland and its affiliated entities, also taking account of the interests of stakeholders and CSR endores that are relevant to Rabobank.

The practices and rules of procedures for the Supervisory Board, the Audit, Compliance & Risk Committee and the Remuneration Committee were tightened in 2011 under the influence of the Regulations on Restrained Remuneration, among other provisions. The continuing education programme for the Supervisory Board, which was initiated in 2010, was continued in 2011.

Remuneration of the Supervisory Board

In 2011, the remuneration of the members and former members of the Supervisory Board of Rabobank Nederland amounted to EUR 1.5 (1.5) million in total.

Appointments and re-appointments

Appointments and re-appointments to the Supervisory Board are made by the General Meeting on the recommendation of the Supervisory Board and subject to consultation with the Central Delegates Assembly.

Mr Minderhoud and Mr Veerman were scheduled to retire by rotation in 2011 and were available for re-appointment. Mr Walravens, who, in his capacity as a supervisory director of Achmea, was also member of the Supervisory Board of Rabobank Nederland, was also scheduled to retire by rotation in 2011 and available for re-appointment. In connection with the change in shareholding relationship with Achmea in 2010, Mr Walravens was not nominated for a new term of office. The Supervisory Board would like to take this opportunity to thank Mr Walravens for his commitment and his efforts as a supervisory director over the past few years.

The General Meeting of Rabobank Nederland resolved to re-appoint Mr Minderhoud and Mr Veerman to the Supervisory Board on 16 June 2011. The Supervisory Board still had one vacancy at year-end 2011. The aim is to fill this vacancy in 2012.

Keeping track of developments

The Chairman of the Supervisory Board is in close contact with the Chairman of the Executive Board and consults monthly with the internal auditor and the Group Compliance Officer. In addition, the Chairman of the Supervisory Board, the Chairman of the Audit, Compliance & Risk Committee, the independent external auditor and the internal auditor meet at least four times a year. During the year under review, the members of the Supervisory Board regularly attended, as observers, meetings of Rabobank Nederland's Works Council and of the Group Works Council of Member Banks, as well as of the Regional and Central Delegates Assemblies. By doing so, the members of the Supervisory Board stay in touch with developments at the key stakeholders of Rabobank Nederland. As part of their continuing education programme, the supervisory directors learned about several aspects involving Basel III, which included developments in capital requirements, the quality of capital, the effects of Basel III on Rabobank's financial position, the Net Stable Funding Ratio and dependence on the capital market. The Supervisory Board was also informed of developments in world food prices and trends in competition law. In addition, in its periodic meetings and in its committees, the Supervisory Board regularly speaks with the Executive Board about the bank's duty of care, risk management, financial reporting and audits. As a matter of course, the Supervisory Board members address relevant developments at Rabobank and in the financial sector in all its meetings, as well as inviting directors and managers of Rabobank Nederland to educate them or the committees about a wide range of topics.

The members of the Supervisory Board went on a working visit to the United States in 2011. They visited several US-based group entities, including Rabobank N.A. in California (because of a number of acquisitions in this State in 2010), Rabo AgriFinance and Rabobank's wholesale operations in North America. Not only did the supervisory directors become more familiar with these group entities and some of their clients during the visit, but issues such as risk management, compliance, engagement and sustainability also received a great deal of attention. These issues were discussed with a number of relevant parties, both within and outside Rabobank. During their trip, the Supervisory Board members were also educated about changes in US laws and their implications for Rabobank.

Meeting frequency

The Supervisory Board met 12 times in 2011. Not one member was repeatedly absent from these meetings. The Supervisory Board has five committees. The Audit, Compliance & Risk Committee met eight times in the year under review, the Cooperative Affairs Committee met five times, the Appointment Committee met four times and Remuneration Committee met five times. There was no need for the Appeals Committee to meet in 2011.

Activities of Supervisory Board in 2011

In accordance with its statutory duties and responsibilities, the Supervisory Board supervised the policies pursued by the Executive Board and the general conduct of affairs at Rabobank Nederland and its affiliated entities. In addition, it served as a sparring partner to the Executive Board. Regular topics for discussion and approval were the annual and the interim figures; operational and financial targets, strategy, corporate social responsibility, and the risks associated with the business were discussed and approved at least quarterly. Where risk was concerned, discussions centred on the outcome of the Executive Board's assessment of the design and effectiveness of the internal risk management and control systems, and any significant changes in those systems. Other issues that were considered included the effectiveness of the compliance function in place at Rabobank Group and compliance with laws and regulations, the growing concern for customer focus, the relationship with the local Rabobanks and ICT, including logical access control and the issue of data leakage.

The Supervisory Board approved the Risk Appetite Paper and the Risk Charter on the recommendation of the Audit, Compliance & Risk Committee.

For the Rabobank Member Certificates to continue to qualify as core Tier 1 capital after the implementation of CRD IV, the Supervisory Board approved the conversion of the old Member Certificates into new Rabobank Member Certificates in 2011. The General Meeting resolved on 16 June 2011 to amend the Articles of Association accordingly.

The Supervisory Board devoted a meeting to the communication strategy, addressed the risk assessment performed by the Dutch Central Bank and took note of the outcome of the EBA stress test, the application for a banking licence in India, and the announcement of a collaboration with PGGM. In addition, the members of the Supervisory Board and the members of the Executive Board exchanged thoughts about the structure of Rabobank Nederland as a support organisation and about Rabobank Group's international strategy. The supervisory directors also educated themselves in 2011 about the impact of earthquakes in New Zealand and the earthquakes and subsequent tsunami in Japan had on Rabobank employees and customers.

Priorities of Supervisory Board in 2011

Financial statements 2010, interim report 2010 and budget for 2012

The Supervisory Board discussed at length the Annual Report 2010 of Rabobank Nederland and Rabobank Group, including the report of the Executive Board, the accompanying independent auditor's report, the financial statements and the proposed profit appropriation. The management letter, including the management commentary, was also talked about in detail in the presence of both the internal auditor and the independent external auditor. In addition, the Supervisory Board extensively reviewed the interim report 2011 of Rabobank Group and discussed the budget for 2012, approving it in outline. Furthermore, the Supervisory Board approved the Annual Plan and the Rabobank Nederland Budget for Supporting Member Banks 2012. The funding mandate for 2012 was approved as well. In reviewing the financial statements and the budget, the Supervisory Board considered the capital adequacy and liquidity requirements announced by the Basel Committee (Basel III), addressing specifically the importance of client deposits as a source of funding as well as the desirability of the balanced and varied composition of funding sources. The Audit, Compliance & Risk Committee prepared extensively for the discussions on these issues.

Debt crisis

In 2011, the Supervisory Board frequently met with the Executive Board to discuss the European debt crisis and its impact on Rabobank. The supervisory directors kept close track of the financial markets. In-depth discussions took place with the Executive Board about the steps taken and to be taken by Rabobank, and the measures implemented by the different regulators. The various stress tests that Rabobank performed were debated extensively. The Supervisory Board established in this process that the core Tier 1 ratio comfortably meets the relevant

requirements and that it qualifies as high compared to other financial institutions. The Supervisory Board and the Executive Board also talked at length about measures announced by regulators and the government, and the risks attaching to this accumulation of rules.

New Standard & Poor's rating system

The Executive Board informed the Supervisory Board at an early stage that rating agency Standard & Poor's had announced its adoption of a new rating system that might affect the bank's rating. The Supervisory Board discussed the potential impact of a downgrade and the steps that needed to be taken with the Executive Board on several occasions. The Supervisory Board sees Rabobank's stability and strong creditworthiness reflected in the new rating.

ICT

Given the increasing importance of ICT within the organisation, it was decided in 2011 no longer to discuss ICT-related issues in the ACRC first, but to table them directly in plenary sessions of the Supervisory Board. In a number of meetings in 2011, the Supervisory Board exchanged thoughts with the Executive Board about the stability of the IT infrastructure, several security aspects, the prevention of cybercrime in general and the cyber attacks that Rabobank suffered in 2011.

Changes to internal governance

In 2011, Rabobank aligned its internal governance structure to the provisions of the new Regulations on Restrained Remuneration. The Supervisory Board was closely involved in this process and variable pay awarded to individual Identified Staff at Rabobank Group will, from now on, be subject to Supervisory Board approval. The rules of procedure for the Supervisory Board, its Remuneration Committee and its Audit, Compliance & Risk Committee were amended to comply with these new provisions and the Group Remuneration Policy.

Disposals

In November 2011, Rabobank reached agreement with Safra about the sale of its equity interest in Swiss-based bank Sarasin. This transaction is currently still subject to regulatory approval. The decision to reduce our equity stake in Achmea in 2010 was implemented in 2011. The Supervisory Board agreed to these transactions.

Corporate social responsibility

The Supervisory Board is pleased to note that Rabobank went on in 2011 to further embed corporate social responsibility in its service offering. The Cooperative Affairs Committee took an advisory role in the reporting period in reviewing several CSR-related issues and exchanging ideas about these issues with the Executive Board.

Remuneration policy

Rabobank pursues a prudent, restrained and sustainable remuneration policy. To find out more about the Group Remuneration Policy, please consult the section on employees elsewhere in this Annual Report.

The remuneration of the members of the Executive Board is benchmarked every year. Previous benchmarks showed that their remuneration is below the median of the peer group. The executive directors' variable pay is relatively low, both compared to their basic income and compared to the market. The variable pay is based on a series of quantitative, qualitative, individual and collective targets to be achieved in the long and short term. The Supervisory Board approves the remuneration policy for senior management and supervises its execution by the Executive Board. Material retention, exit and other guaranteed bonuses are not permitted. New recruits can be awarded a welcome bonus for their first year only, to compensate for any lost bonuses, deferred or otherwise, from their former employer. Material exceptions to the Group Remuneration Policy are subject to the prior consent of the Executive Board and the Supervisory Board. The Supervisory Board discusses the highest earners every year via a group remuneration report.

Rabobank offers no variable pay in the form of option or shareholding rights that are awarded to executive directors or senior management. Fifty percent of the variable pay of Identified Staff (employees who have a significant impact on the bank's risk profile) is, however, awarded in the form of a Deferred Remuneration Note (DRN). This is in keeping with the relevant rules and regulations. The value of the DRN is linked to the price of the Rabobank Member Certificates on a one-to-one basis. The variable pay of the Executive Board of Rabobank Nederland is modest in nature, amounting to no more than 30% of an executive directors' basic salary. At least 60% of the variable pay is initially awarded on a conditional basis, only to become unconditional after three years under the deferred compensation scheme. A number of highly specialised employees at Rabobank International and subsidiaries with foreign operations only are awarded slightly higher variable pay; they are governed by a deferred compensation scheme similar to that in place for the Executive Board. This procedure is in keeping with the remuneration practices that are commonly used for these types of employees worldwide. Rabobank's remuneration structure has never been such that it might trigger any irresponsible risks.

Evaluation of performance and remuneration of members of Executive Board

In 2011, the remuneration of the members and former members of the Executive Board of Rabobank Nederland amounted to EUR 10.3 (10.3) million in total. This amount can be broken down as follows:

In millions of euros	2011	2010
Salaries	7.0	6.8
Pension costs	1.6	1.6
Performance-related pay	1.7	1.7
Other emoluments	0.0	0.2
Total	10.3	10.3

As a portion of the expenses relating to the performance-related payments awarded is recognised over a number of years, the total expenses under staff costs fell to EUR 9.5 (10.3) million.

Rabobank's cooperative identity and structure are embedded in its remuneration policy for the members of the Executive Board. As part of the remuneration policy for the Executive Board formulated by the Central Delegates Assembly, which is in keeping with the Vision of Remuneration and the Group Remuneration Policy, the Supervisory Board determined the performance-related payment to each member of the Executive Board on the basis of the evaluation of their performance in 2010. After having been reviewed by the Supervisory Board, the full remuneration report 2010 was discussed with the Confidential Committee of the Central Delegates Assembly, which shared its comments on the report with the Central Delegates Assembly representing the members of Rabobank Nederland. The total income of each member of the Executive Board is in line with the standards formulated in the Dutch Corporate Governance Code, the Dutch Banking Code, the Principles for Restrained Remuneration Policy and the Regulations on Restrained Remuneration Policy issued by the Dutch Central Bank and the Authority for the Financial Markets.

Self-assessment

The Supervisory Board reviews its own performance and that of the separate committees on an ongoing basis. The Supervisory Board also performed a full-scope evaluation in 2011. In addition, the Chairman has one-on-one meetings with each of the members of the Supervisory Board annually to assess the performance of the Supervisory Board as a whole and that of the member in question. This process of self-assessment is used to bring about improvements in the performance of the Supervisory Board and that of the individual supervisory directors, and to undertake individual or collective efforts to improve the members' knowledge where necessary. Key issues in the performance evaluation are the supervisory directors' attendance of Supervisory Board meetings and their input into these meetings,

the extent to which the Supervisory Board, its committees and its members comply with the chosen profile, and the composition and the availability of the required competencies of the Supervisory Board and of the separate committees. The range of competencies represented is supplemented through new appointments as appropriate. The Audit, Compliance & Risk Committee also reviewed its performance in 2011, following which some improvements were introduced in its procedures.

In the Supervisory Board's opinion, its committees discharged their duties promptly and efficiently in the year under review, thereby contributing significantly to the embodiment of the supervisory role of the Supervisory Board.

Strong performance

The Supervisory Board is pleased with the way in which Rabobank Group managed to counter the ramifications of the challenging financial and economic conditions. The members of the Supervisory Board note that the strength of the cooperative structure once again proved its worth in 2011 and would like to take this opportunity to thank management and all employees for their efforts and commitment in the year under review.

Supervisory Board committees

Members:

M. Minderhoud, *Chairman*

S.L.J. Graafsma, *Deputy Chairman*

L. Koopmans

B. Bijvoet

E.A.J. van de Merwe

A.J.A.M. Vermeer

Audit, Compliance & Risk Committee

The Audit, Compliance & Risk Committee (ACRC) helps the Supervisory Board prepare for its decision-making in relation to its supervision of the Executive Board's actions involving financial affairs, compliance-related issues and risk management.

In the year under review, the ACRC helped the Supervisory Board prepare for its decision-making on the Annual Report 2010, the Interim Report 2011 and the budget for 2012. Particular focus was placed on issues such as developments in earnings at Rabobank Group, solvency and liquidity developments at Rabobank Group, accounting for impairments, the effectiveness of the internal control systems, concentration risk and systemic risk, country risk, new ratings and their implications for Rabobank, fee policy and funding options.

The ACRC devoted frequent attention in 2011 to the European debt crisis and its impact on Rabobank Group, developments in capital adequacy and liquidity requirements announced by the Basel Committee (Basel III) and their consequences for Rabobank Group's strategy. The ACRC educated itself extensively and on an ongoing basis about developments in the financial markets and in the euro zone, their financial and economic impact, and the economic outlook. The Committee also thoroughly addressed the lessons learned from the financial crisis and efforts to strengthen the risk management cycle and stress-testing capabilities. The ACRC also considered a number of developments connected with the situation on the financial markets, such as changes in the financial sector and oversight of this sector. Furthermore, the ACRC familiarised itself thoroughly with the design and effectiveness of Rabobank Group's operational risk management practices.

Other issues covered by the ACRC included the quarterly reports on financial developments at Rabobank Group, the management letter for 2010, the budget for 2012, the funding mandate for 2012, the Net Stable Funding Ratio and capital adequacy at the different group entities, as well as the Annual Plan and the Rabobank Nederland Budget for Supporting Member Banks 2012. The ACRC also educated itself extensively about the different sectors in which Rabobank has a relatively large market share, and about the effects of the EHEC crisis. The ACRC and the Executive Board also discussed the effectiveness of Customer Due Diligence, as well as addressing the theme of Focus on the Customer on several occasions.

The ACRC helped prepare the Supervisory Board in the process of approving the Risk Appetite Paper and the Risk Charter. The ACRC also discussed the six-monthly reports of Group Compliance, addressing the compliance function at local Rabobanks, subsidiaries and foreign

branches, the prevention of external fraud as part of Customer Due Diligence, and management of compliance risks. The ACRC discusses the management information on credit, market and operational risk on a quarterly basis. The ACRC talked about the follow-up to the outcome of a mortgage survey performed earlier by the Authority for the Financial Markets, the annual risk assessment by the Dutch Central Bank of strategic, operational, credit and compliance risk, and about the outcome of the stress tests of European banks conducted by the European Banking Authority.

The ACRC approved the Audit Plan Rabobank Group 2012 and discussed the quarterly reports prepared by Group Audit. As part of the annual procedure, the Committee also met with the independent external auditor and Group Audit without the Executive Board being present, and performed a self-assessment. It was decided in mid-2011 no longer to discuss ICT-related issues in the ACRC first, but to table them directly in plenary sessions of the Supervisory Board.

Members:

A.J.A.M. Vermeer, *Chairman*
I.P. Asscher-Vonk
A. de Bruijn
W. Dekker
L.O. Fresco
L. Koopmans
C.P. Veerman
M.J.M. Tielen

Cooperative Affairs Committee

The Cooperative Affairs Committee (CAC) helps the Supervisory Board prepare for its decision-making in relation to its supervision of the Executive Board's policy plans regarding the cooperative structure of the local Rabobanks and Rabobank Nederland. This Committee also makes preparations for the Supervisory Board's decision-making on corporate social responsibility (CSR).

In 2011, the issues looked at by the CAC included the structure of the new Cooperative and Sustainability department, which was a merger of the Cooperative and Governance and CSR departments, as well as addressing the training programme for supervisory committee members of local Rabobanks. The CAC also discussed progress made on the Strategic Framework and the division of responsibilities between the local Rabobanks and Rabobank Nederland, and the structure of Rabobank Nederland in the long run. In addition, further developments in CSR policy were the subject of extensive debate. The CAC also talked about the sustainability sections of various reports and of the Annual Report 2010, and exchanged ideas with the Executive Board about the further implementation of CSR targets in the bank's operations.

Furthermore, the CAC considered Rabobank's role and position as a global food and agri bank, and educated itself about developments in world food prices and the potential impact of water shortages on the global food supply. The CAC also explored the design and effectiveness of the Rabobank Project Fund and learned about complaint management. Finally, the CAC spoke about 2012 having been named the International Year of the Cooperative by the United Nations.

Members:

L. Koopmans, *Chairman*
I.P. Asscher-Vonk
W. Dekker
L.O. Fresco
A.J.A.M. Vermeer

Appointment Committee

The Appointment Committee helps the Supervisory Board prepare for its decision-making in relation to the composition of, and appointments and re-appointments to, the Supervisory Board and the Executive Board. The Committee also advises the Supervisory Board on senior management appointments at Rabobank and its affiliated entities, and addresses the full spectrum of management and talent issues in preparation of their discussion in Supervisory Board meetings. Finally, the Appointment Committee discussed appointments and re-appointments to the Supervisory Board.

Members:

I.P. Asscher-Vonk, *Chairman*
W. Dekker
L.O. Fresco
L. Koopmans
A.J.A.M. Vermeer

Remuneration Committee

The Remuneration Committee helps the Supervisory Board prepare for its decision-making in relation to the remuneration of the members of the Executive Board and the remuneration policy for members of senior management. It also keeps close track of remuneration policies pursued in the external market and advises the Supervisory Board on how to apply the guidelines for remuneration policy in the banking sector. In 2011, operating within the parameters of the remuneration policy adopted by the Central Delegates Assembly and based on the evaluation of the performance by the Executive Board and its individual members, the Remuneration Committee conducted an extensive review of the remuneration proposals (including those for variable pay) for the individual members of the Executive Board.

The Committee also considered the pay structure for lower-echelon employees and other pay-related aspects that emerge from the Dutch Banking Code and the Regulations on Restrained Remuneration Policy, and their transposition into the Group Remuneration Policy. To find out more about Rabobank Group's remuneration policy, please consult the section on employees.

Members:

M.J.M. Tielen, *Chairman*

I.P. Asscher-Vonk

S.L.J. Graafsma

Appeals Committee

The Appeals Committee acts as an advisory appellate body in disputes between local Rabobanks or between one or more local Rabobanks and Rabobank Nederland. No disputes were submitted to the Appeals Committee in 2011.

Utrecht, the Netherlands, 29 February 2012

Supervisory Board

Consolidated statement of financial position

In millions of euros	At 31 December 2011	At 31 December 2010
Assets		
Cash and cash equivalents	70,430	13,471
Due from other banks	25,221	33,511
Trading financial assets	8,112	12,987
Other financial assets at fair value through profit or loss	7,015	9,588
Derivative financial instruments	58,973	43,947
Loans to customers	468,085	455,941
Available-for-sale financial assets	51,930	55,458
Held-to-maturity financial assets	109	218
Investments in associates	3,340	3,539
Intangible assets	2,802	3,675
Property and equipment	6,132	6,006
Investment properties	784	816
Current tax assets	571	357
Deferred tax assets	995	1,200
Other assets	12,210	11,822
Non-current assets held for sale	14,956	-
Total assets	731,665	652,536

In millions of euros	At 31 December 2011	At 31 December 2010
Liabilities		
Due to other banks	26,259	23,476
Due to customers	329,892	298,761
Debt securities in issue	213,441	196,819
Derivative financial instruments and other trade liabilities	64,931	49,640
Other debts	8,422	8,665
Other financial liabilities at fair value through profit or loss	25,889	29,867
Provisions	765	979
Current tax liabilities	324	359
Deferred tax liabilities	893	731
Subordinated debt	2,413	2,482
Liabilities held for sale	13,435	-
Total liabilities	686,664	611,779
Equity		
Equity of Rabobank Nederland and local Rabobanks	26,500	24,749
<i>Equity instruments issued directly</i>		
Rabobank Member Certificates	6,614	-
Capital Securities	7,645	4,790
	40,759	29,539
<i>Equity instruments issued by subsidiaries</i>		
Rabobank Member Certificates	-	6,583
Capital Securities	167	163
Trust Preferred Securities III to VI	1,399	1,353
	1,566	8,099
Non-controlling interests	2,676	3,119
Total equity	45,001	40,757
Total equity and liabilities	731,665	652,536

Consolidated statement of income

In millions of euros	For the year ended 31 December	
	2011	2010
Interest income	22,211	19,928
Interest expense	12,982	11,314
Interest	9,229	8,614
Commission income	3,646	3,469
Commission expense	665	638
Commission	2,981	2,831
Income from associates	(17)	292
Net income from financial assets and liabilities at fair value through profit or loss	640	231
Gains on available-for-sale financial assets	(169)	105
Other income	714	643
Income	13,378	12,716
Staff costs	5,141	4,919
Other administrative expenses	3,001	2,706
Depreciation and amortisation	578	571
Operating expenses	8,720	8,196
Value adjustments	1,606	1,234
Operating profit before taxation	3,052	3,286
Income tax expense	425	514
Net profit	2,627	2,772
Of which attributable to Rabobank Nederland and local Rabobanks	1,549	1,846
Of which attributable to holders of Rabobank Member Certificates	315	303
Of which attributable to Capital Securities	612	460
Of which attributable to Trust Preferred Securities III to VI	73	73
Of which attributable to non-controlling interests	78	90
Net profit for the year	2,627	2,772

Consolidated statement of comprehensive income

In millions of euros	For the year ended 31 December	
	2011	2010
Net profit	2,627	2,772
Arising in the period (after taxation):		
<i>Foreign currency translation reserves</i>		
Currency translation differences	92	413
<i>Revaluation reserve - Available-for-sale financial assets</i>		
Currency translation differences	(31)	(48)
Changes in associates	(13)	45
Fair value changes	1,108	390
Amortisation of reclassified assets	73	143
Transferred to profit or loss	(1,092)	(114)
<i>Revaluation reserve - Associates</i>		
Fair value changes	(38)	(30)
<i>Revaluation reserve - Cash flow hedges</i>		
Fair value changes	513	18
Transferred to net profit results	(607)	1
<i>Non-controlling interests</i>		
Currency translation differences	26	266
Changes in AFS revaluation reserve	(11)	(9)
Total other comprehensive income	20	1,075
Total comprehensive income	2,647	3,847
Of which attributable to Rabobank Nederland and local Rabobanks	1,554	2,664
Of which attributable to holders of Rabobank Member Certificates	315	303
Of which attributable to Capital Securities	612	460
Of which attributable to Trust Preferred Securities III to VI	73	73
Of which attributable to non-controlling interests	93	347
Total comprehensive income	2,647	3,847

Consolidated statement of changes in equity

In millions of euros	Equity of Rabobank Nederland and local Rabobanks	Rabobank Member Certificates	Capital Securities and TPS	Non- controlling interests	Total
At 1 January 2011	24,749	6,583	6,306	3,119	40,757
Net profit	1,549	315	685	78	2,627
Total other comprehensive income:					
Foreign currency translation reserve	92	-	-	26	118
Revaluation reserve - Available-for-sale financial assets	45	-	-	(11)	34
Revaluation reserve - Associates	(38)	-	-	-	(38)
Revaluation reserve - Cash flow hedges	(94)	-	-	-	(94)
Total comprehensive income	1,554	315	685	93	2,647
Payment on Rabobank Member Certificates, Trust Preferred Securities III to VI (TPS) and Capital Securities	-	(315)	(685)	-	(1,000)
Issue of Member Certificates	-	122	2,911	-	3,033
Exchange of Rabobank Extra Member Bonds	-	225	-	-	225
Premium refund	-	(308)	-	-	(308)
Costs of Capital Securities issue	-	-	(52)	-	(52)
Other	197	(8)	46	(536)	(301)
At 31 December 2011	26,500	6,614	9,211	2,676	45,001
At 1 January 2010	21,963	6,315	6,182	3,423	37,883
Net profit	1,846	303	533	90	2,772
Total other comprehensive income:					
Foreign currency translation reserve	413	-	-	266	679
Revaluation reserve - Available-for-sale financial assets	416	-	-	(9)	407
Revaluation reserve - Associates	(30)	-	-	-	(30)
Revaluation reserve - Cash flow hedges	19	-	-	-	19
Total comprehensive income	2,664	303	533	347	3,847
Payment on Rabobank Member Certificates, Trust Preferred Securities III to VI (TPS) and Capital Securities	-	(303)	(533)	-	(836)
Issue of Member Certificates and Capital Securities	-	257	-	-	257
Other	122	11	124	(651)	(394)
At 31 December 2010	24,749	6,583	6,306	3,119	40,757

Consolidated statement of cash flows

In millions of euros	For the year ended 31 December	
	2011	2010
Cash flows from operating activities		
Operating profit before taxation	3,052	3,286
Adjusted for:		
<i>Non-cash items recognised in operating profit before taxation</i>		
Depreciation and amortisation	578	571
Depreciation of operating lease assets and investment properties	782	783
Value adjustments	1,704	1,234
Result on sale of property and equipment	(3)	(7)
Income from associates	17	(292)
Fair value results on financial assets and liabilities at fair value through profit or loss	(640)	(231)
Gains/(losses) on available-for-sale financial assets	169	(105)
<i>Net change in operating assets:</i>		
Due from and due to other banks	10,315	3,181
Trading financial assets	4,667	131
Derivative financial instruments	(15,026)	(4,856)
Net change in non-trading financial assets at fair value through profit or loss	(556)	1,955
Loans to customers	(22,040)	(24,536)
Dividends received from associates and financial assets	76	464
<i>Net change in liabilities relating to operating activities:</i>		
Derivative financial instruments and other trade liabilities	15,291	874
Due to customers	41,505	12,423
Debt securities in issue	16,622	23,149
Other liabilities	1,597	116
Income tax paid	(435)	(772)
Other changes	(4,822)	(1,940)
Net cash flow from operating activities	52,853	15,428
Cash flows from investing activities		
Acquisition of associates net of cash and cash equivalents acquired	(67)	(19)
Disposal of associates net of cash and cash equivalents	207	722
Acquisition of property and equipment and investment properties	(1,880)	(1,636)
Proceeds from sale of property and equipment	538	983
Acquisition of available-for-sale financial assets and held-to-maturity financial assets	(25,081)	(64,554)
Proceeds from sale and repayment of available-for-sale financial assets and held-to-maturity financial assets	28,760	44,632
Net cash flow from investing activities	2,477	(19,872)
Cash flows from financing activities		
Proceeds from issue of Capital Securities and Rabobank Member Certificates	2,673	36
Proceeds from issue of subordinated debt	-	1,000
Proceeds from issue of Senior Contingent Notes and Rabo Extra Member Bonds	-	2,150
Payment on Rabobank Member Certificates, Trust Preferred Securities III to VI and Capital Securities	(1,000)	(836)
Repayment of and proceeds from issue of subordinated debt	-	(1,000)
Net cash flow from financing activities	1,673	1,350
Net change in cash and cash equivalents	57,003	(3,094)
Cash and cash equivalents at beginning of year	13,471	16,565
Foreign exchange differences on cash and cash equivalents	(44)	-
Cash and cash equivalents at end of year	70,430	13,471
The cash flows from interest are included in the net cash flow from operating activities		
Interest income	22,200	19,332
Interest expense	12,647	11,651

Condensed business segments

	Domestic retail banking	Wholesale banking and international retail banking	Asset management	Leasing	Real estate	Consolidation Other effects/ hedge segments accounting		Total
In millions of euros								
For the year ended 31 December 2011								
Interest	5,218	2,957	163	778	282	(169)	-	9,229
Commission	1,357	586	979	76	41	(29)	(29)	2,981
Other results	366	207	2	465	207	520	(599)	1,166
Total income	6,941	3,750	1,144	1,319	530	322	(628)	13,378
Segment expense	3,986	2,072	1,018	774	344	(25)	551	8,720
Value adjustments	648	686	(1)	144	129	-	-	1,606
Operating profit before tax	2,307	992	127	401	57	347	(1,179)	3,052
Income tax expense	454	211	65	97	17	(123)	(296)	425
Net profit for the year	1,853	781	62	304	40	470	(883)	2,627
Business unit assets	372,934	514,040	25,304	31,799	27,252	84,115	(327,119)	728,325
Investments in associates	17	515	1	30	77	2,700	-	3,340
Total assets	372,951	514,555	25,305	31,829	27,329	86,815	(327,119)	731,665
Business unit liabilities	347,784	509,366	22,814	28,635	25,365	67,944	(315,244)	686,664
Total liabilities	347,784	509,366	22,814	28,635	25,365	67,944	(315,244)	686,664
Additions to property and equipment	177	56	2	1,441	5	87	-	1,768
Depreciation and amortisation including amortisation of software	119	108	114	51	20	166	-	578
Goodwill	1	744	376	460	322	-	-	1,903
For the year ended 31 December 2010								
Interest	4,894	2,813	166	658	253	(171)	1	8,614
Commission	1,321	460	995	83	26	(22)	(32)	2,831
Other results	294	306	47	440	214	347	(377)	1,271
Total income	6,509	3,579	1,208	1,181	493	154	(408)	12,716
Segment expense	3,833	1,939	968	700	367	(56)	445	8,196
Value adjustments	358	597	2	214	63	-	-	1,234
Operating profit before tax	2,318	1,043	238	267	63	210	(853)	3,286
Income tax expense	475	269	71	66	21	(175)	(213)	514
Net profit for the year	1,843	774	167	201	42	385	(640)	2,772
Business unit assets	360,881	439,646	25,166	29,768	26,473	86,789	(319,726)	648,997
Investments in associates	20	434	38	28	62	2,957	-	3,539
Total assets	360,901	440,080	25,204	29,796	26,535	89,746	(319,726)	652,536
Business unit liabilities	338,681	440,202	22,355	26,862	25,331	73,563	(315,215)	611,779
Total liabilities	338,681	440,202	22,355	26,862	25,331	73,563	(315,215)	611,779
Additions to property and equipment	128	51	22	1,101	11	287	-	1,600
Depreciation and amortisation including amortisation of software	120	108	116	40	29	158	-	571
Goodwill	1	733	805	460	322	6	-	2,327

Independent auditor's report

To the Executive Board and Supervisory Board of Rabobank Nederland

The 2011 annual figures set out on pages 108 to 114, which comprise the consolidated statement of financial position as at 31 December 2011, the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows and the condensed statement of business segments are derived from the audited consolidated financial statements of Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank Nederland), Amsterdam. We expressed an unqualified auditor's opinion on those financial statements in our report dated 29 February 2012.

The 2011 annual figures do not contain all disclosures required by International Financial Reporting Standards as adopted by the European Union and Part 9 of Book 2 of the Dutch Civil Code. Reading the 2011 annual figures, therefore, is not a substitute for reading the audited consolidated 2011 financial statements of Rabobank Nederland.

Executive Board's responsibility

The Executive Board is responsible for the preparation of the 2011 annual figures in accordance with the audited consolidated 2011 financial statements and the accounting policies set out therein.

Auditor's responsibility

Our responsibility is to express an opinion on the 2011 annual figures based on our procedures, which were conducted in accordance with Dutch law, including the Dutch Standard on Auditing 810 'Engagements to report on summary financial statements'.

Opinion

In our opinion, the 2011 annual figures are consistent, in all material respects, with the audited consolidated 2011 financial statements of Rabobank Nederland and in accordance with the accounting policies set out therein.

Amsterdam, 29 February 2012

Ernst & Young Accountants LLP

/s/ G.H.C. de Meris

Executive Board Responsibility Statement

The Executive Board of Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank Nederland) declares that, to the best of its knowledge:

- the financial statements give a true and fair view of the assets, liabilities, financial position and profit of Rabobank Nederland, and the companies included in the consolidation;
- the management report gives a true and fair view of the state of affairs as at the reporting date, and of the course of affairs during the financial year at Rabobank Nederland and its affiliated entities whose information is included in its financial statements;
- the management report describes the principal risks that Rabobank Nederland faces.

Piet Moerland, Chairman
Bert Bruggink, CFO
Berry Marttin, member
Sipko Schat, member
Piet van Schijndel, member
Gerlinde Silvis, member

Utrecht, the Netherlands, 29 February 2012

Published by

Rabobank Nederland Communications Departments

Disclaimer

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

About the Annual Report

The Rabobank has integrated financial and CSR-related information in the Annual Report 2011 Rabobank Group.

This Report is based on the Financial Statements, the Annual Report and other information of Rabobank Nederland, as referred to in Book 2, Part 9 of the Dutch Civil Code, among other documents. As required by law, these reports have been/will be filed at the offices of the Trade Registry under number 30.046.259 after the adoption of the Financial Statements of Rabobank Nederland by the Annual General Meeting. The Annual General Meeting is scheduled for 14 June 2012.

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

This Report has been prepared in accordance with the G3 Guidelines of the Global Reporting Initiative. The CSR sections of this Report are based on the document entitled 'Corporate Social Responsibility 2011 Rabobank Group'. An independent external auditor has issued an assurance report on this document, including the CSR facts and figures.

Annual Reports

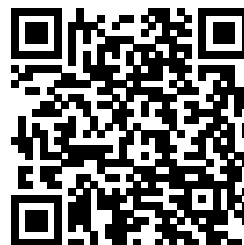
In 2012 Rabobank Group publishes the following annual reporting documents, both in English and in Dutch:

- Annual Summary 2011 Rabobank Group - Jaarbericht 2011 Rabobank Groep
- Annual Report 2011 Rabobank Group - Jaarverslag 2011 Rabobank Groep
- Consolidated Financial Statements 2011 Rabobank Group - Geconsolideerde jaarrekening 2011 Rabobank Groep
- Financial Statements 2011 Rabobank Nederland - Jaarrekening 2011 Rabobank Nederland
- Interim Report 2012 Rabobank Group - Halfjaarverslag 2012 Rabobank Groep

Rabobank Group's annual reporting is online available on www.rabobank.com/annualreports and www.rabobank.com/jaarverslagen. The keyfigures are also available for the mobile phone on:



<http://m.keyfiguresrabobank.com>



<http://m.kerngegevensrabobank.nl>

Materials used

The Rabobank Group uses environmentally friendly materials printing this document.

Contact

jaarverslagen@rn.rabobank.nl

Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank Nederland)

Croeselaan 18, P.O. Box 17100, 3500 HG Utrecht, The Netherlands

+31 30 216 0000

Annual Report 2011 Rabobank Group
April 2012
www.rabobank.com/annualreports



Rabobank