



Rabobank



Annual Report 2012

Rabobank Group

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The financial information set out on pages 106 to 112 has been derived from the consolidated financial statements 2012 of Rabobank Group, on which an unqualified independent auditor's report was issued on 25 February 2013.

Chairman's foreword

Decline in profits due to economic adversity

For Rabobank, 2012 was a difficult year without any economic recovery. The Dutch economy contracted more in 2012 than foreseen at the beginning of the year. The year was characterised by a drop in consumer spending, rising unemployment, falling house prices and a lack of business investments. The debt crisis caused uncertainty in the financial markets. The drop in earnings was relatively strong in the domestic retail banking division in particular due to higher value adjustments, lower interest income and mounting operating expenses.

In addition, Rabo Real Estate Group delivered a significantly worse performance and the bank tax weighed down profit by EUR 196 million. Total net profit for 2012 saw a 20% drop on 2011, landing at EUR 2,112 million.

Our solvency and liquidity positions remained robust: the core tier 1 ratio rose to 13.2% and the tier 1 ratio to 17.2%. We have our strong capital position to thank for the fact that we once again managed to raise adequate funding for our activities in the international financial markets over the past year. Our international reputation has not been tarnished.

Sustainability and socially responsible business practices have become an integral part of a business's licence to operate. The call for transparency and accountability is rising, especially in the financial sector. The role of banks and their position in society are under scrutiny and this will not change in the years to come. After all that has happened, banks need to win back the trust of consumers. We, too, have to work to strengthen the trust of our members and customers. We have declared 2013 'The Year of the Customer', in which community involvement, transparency and accountability will be priorities.

Rabobank is broadly recognised and acknowledged as an exceptional player in the market. In terms of our history, structure, governance and objectives, we are, in fact, fundamentally different from other banks. Thanks to our cooperative structure, we offer an unparalleled and robust institutional framework for members and customers to seek dialogue with us about shared interests such as the sustainable economic development of local communities. This is how we make a positive impact on social issues that directly affect our customers.

Earnings from divisions in 2012

The lack of economic recovery translated mainly into a drop in earnings from domestic retail banking. Businesses in all sectors of industry suffered from the poor economy, but those active in construction and real estate, transport, retail, glasshouse horticulture, and maritime shipping and inland navigation were hit particularly hard. This was reflected in value adjustments, which were up EUR 681 million to reach EUR 1,329 million (i.e. 44 basis points, which is higher than the long-term average of 13 basis points). The loan portfolio saw a 4% growth to EUR 306.5 billion thanks primarily to the consolidation of Friesland Bank. Amounts due to customers were up 7% to EUR 213.9 billion. Although the integration of the Friesland Bank operations demands a lot, the project is progressing as planned and will be completed in 2014. There was a fall in interest income. Operating expenses were up at the local Rabobanks due to the costs associated with the implementation and enforcement of stricter rules and regulations. As a result, the efficiency ratio worsened from 57.4% to 59.8%. Net profit from domestic retail banking fell by 30%, dropping to EUR 1,304 million.

Despite the challenging economic climate, Rabobank International had a relatively good year, posting a profit of EUR 704 million, a 10% drop on 2011. Lower interest spreads and higher operating expenses put pressure on earnings, but they were offset, in part, by gains from the sale of shares in Indian-based Yes Bank. Rabobank has been the leading bank for Dutch wholesale clients since 2011. The loan portfolio showed slight growth in 2012, which was generated most of all in the food and agribusiness sector. We have also gained a reputation in



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

the food and agribusiness internationally. In addition, our online savings banks experienced strong growth outside the Netherlands in the year under review. After having launched RaboDirect in Germany, we now have online savings banks in six countries. We made a successful bid for the remaining shares in Polish Bank BGZ.

Despite the poor economy, De Lage Landen had a successful year that brought significantly higher earnings than in 2011. Robeco delivered an excellent performance in the asset management business. The stock markets did well in 2012 and many new assets found their way to our asset management business. The strategic options for Robeco were explored in 2012, resulting in the sale of our asset management subsidiary to Orix in February 2013. The sale of Sarasin was finalised in July 2012.

Challenging outlook for 2013

2013 will be another difficult year with very little economic growth. Structural reform will be the adage both in the Netherlands and in the rest of Europe. The measures implemented by the Dutch government, including cuts in government spending and tax increases, will not go unnoticed. The unemployment rate is set to rise and the purchasing power of households will continue to drop. In addition, uncertainty about the economic future is causing many households to keep a tight hold on their expenditures. Also new rules will force households to apply a larger share of their income towards mortgage debt repayments. The corporate sector will continue to be very reluctant about investing.

Competition in the savings market will remain fierce in 2013. Although the outlook for the housing market is better in the long run, it will take at least until 2014 before we will see true recovery. Cost reduction will continue to be a priority for Rabobank. Combined with the resolution levy, the continually high pressure on the organisation to comply with rules and regulations, and large groups of customers experiencing financial difficulties, the conclusion is crystal-clear: it will be difficult to match the performance we delivered in 2012.

Rabobank in 2016

We also foresee great challenges looking beyond next year. The strategy for the period 2013-2016 is designed to guarantee that we continue to be the robust and strong bank that we are now: nearby, visible and committed on the outside, and smart and efficient on the inside. Rooted in our cooperative mission, we will continue to stand out in the area of sustainable and responsible business and banking practices, and to invest in an ongoing dialogue with different stakeholders. For this reason, we will define concrete, socially relevant sustainability targets and measurable indicators shortly. The world is facing massive challenges such as the future of the food supply and the sustainable management of natural resources. In view of these developments, we promise not to lose sight of our responsibility in the global food chains in the years ahead.

Our environment is changing dramatically. Customers have an increasing need for simple and transparent financial services, and round-the-clock access to their bank. Private individuals, private banking clients and businesses demand multi-channel, virtual and bespoke services. The trend of rising costs needs to be stopped for us to be able to maintain our robust position. That is why Rabobank is working on streamlining processes, simplifying the product range and increasing the self-serve offering via online and mobile services. This will initially come with large investments in systems and processes, after which the new strategy should lead to major cost cuts, substantial job losses and a considerable reduction in the number of branches in the domestic retail banking division. We expect to cut 3,000 jobs at the local Rabobanks in 2013 and 2014, with further effects in subsequent years. We also need to scale down our excellent pay-and-benefits package. Although Rabobank will look different in 2016, we will still be the same cooperative, robust and sustainable bank that we have always been for our customers.

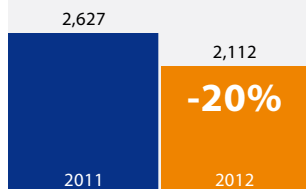
Piet Moerland,
Chairman of the Executive Board of Rabobank Nederland

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Key figures

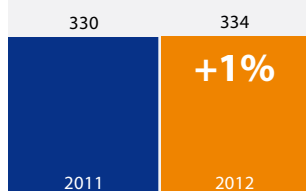
Net profit

in millions of euros



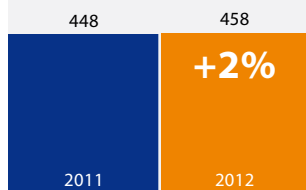
Amounts due to customers

in billions of euros



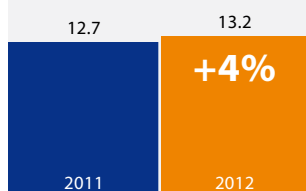
Loan portfolio

in billions of euros



Core tier 1 ratio

in %

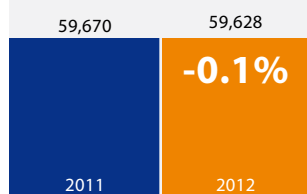


Amounts in millions of euros	2012	2011	2010	2009	2008
Volume of services					
Total assets	752,410	731,665	652,536	607,483	612,120
Private sector loan portfolio	458,091	448,337	436,292	415,235	408,620
Amounts due to customers	334,271	329,892	298,761	286,338	304,214
Assets under management and held in custody for clients	221,200	262,300	270,400	230,400	183,600
Financial position and solvency					
Equity	44,627	45,001	40,757	37,883	33,459
Tier I capital	38,412	37,964	34,461	32,152	30,358
Core tier I capital	29,307	28,324	27,735	25,579	25,591
Qualifying capital	42,375	39,088	35,734	32,973	30,912
Risk-weighted assets	222,847	223,613	219,568	233,221	238,080
Profit and loss account					
Income	13,452	12,706	12,716	12,434	11,652
Operating expenses	8,831	8,252	8,196	8,038	7,611
Value adjustments	2,350	1,606	1,234	1,959	1,189
Bank tax expense	196	-	-	-	-
Taxation	160	355	514	229	98
Net profit	2,112	2,627	2,772	2,208	2,754
Ratios					
Total capital ratio	19.0%	17.5%	16.3%	14.1%	13.0%
Tier 1 ratio	17.2%	17.0%	15.7%	13.8%	12.7%
Core tier 1 ratio	13.2%	12.7%	12.6%	11.0%	10.7%
Equity capital ratio	15.3%	14.7%	14.2%	12.4%	11.6%
Loan to deposit ratio	1.39	1.38	1.49	1.38	1.39
Return on equity	5.6%	7.6%	8.6%	7.3%	9.7%
Efficiency ratio	65.6%	64.9%	64.5%	64.6%	65.3%
Net profit growth	-19.6%	-5.2%	25.5%	-19.8%	2.2%
Nearby					
Local Rabobanks	136	139	141	147	153
Branches	826	872	911	1,010	1,112
ATM's	2,886	2,949	2,963	3,063	3,097
Members (x 1,000)	1,918	1,862	1,801	1,762	1,707
Number of users of mobile banking services (x 1,000) ¹	1,086	410	136	12	10
Client satisfaction private individuals	7.5	7.5	7.6	7.6	7.7
Foreign places of business	759	761	682	624	569
Market shares (in the Netherlands)					
Mortgages	31%	32%	29%	30%	30%
Savings	39%	39%	40%	40%	41%
TIS	43%	42%	42%	41%	39%
Food and agri	85%	83%	84%	84%	84%
Ratings					
Standard & Poor's	AA-	AA	AAA	AAA	AAA
Moody's Investor Service	Aa2	Aaa	Aaa	Aaa	Aaa
Fitch	AA	AA	AA+	AA+	AA+
DBRS	AAA	AAA	AAA	AAA	AAA

¹ Users who log on at least once every three months.

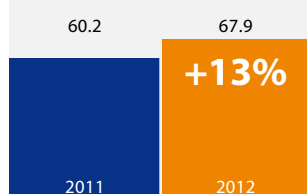
Employees

in FTEs



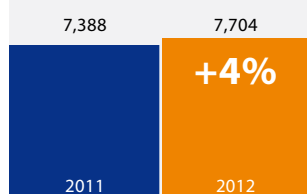
Cooperative dividend

in millions of euros



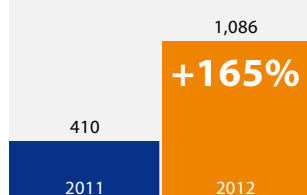
Sustainable financing

in millions of euros



Mobile banking

number of users (x 1,000)



Amounts in millions of euros	2012	2011	2010	2009	2008
Personnel data					
Number of employees (in FTEs)	59,628	59,670	58,714	59,311	60,568
Staff costs	5,325	4,862	4,919	4,603	4,290
Absenteeism	3.6%	3.9%	3.8%	3.7%	3.8%
Females employed	53.6%	53.9%	54.3%	54.8%	55.1%
Females in senior positions (scales 8 to 11)	27.4%	25.8%	24.6%	23.2%	22.1%
Training expenses	89.1	93.0	87.9	86.8	99.9
Training expenses in EUR per FTE	1,530	1,587	1,497	1,464	1,649
Sustainable assets under management and held in custody					
Total sustainable assets under management and held in custody for clients	6,153	17,037	18,885	16,438	11,506
Rabo Green Bonds (cumulative)	1,487	2,236	3,243	3,643	3,622
Robeco sustainable assets	3,703	5,225	6,123	3,992	3,166
Sarasin sustainable assets ²	-	8,785	8,829	8,345	4,363
Private Banking sustainable assets	358	214	292	249	187
Third party sustainable investment products	605	577	398	209	168
Assets subject to engagement					
Robeco sustainable assets	50,542	41,352	43,738	15,400	9,555
Sarasin sustainable assets ²	-	10,796	7,483	4,571	1,069
Private Banking sustainable assets	4,686	3,138	1,247	126	-
Savings					
Green savings	1,222	948	425	360	125
Fund management					
Capital Public Fund Management	2,945	3,087	2,815	2,713	2,700
Sustainable financing					
Total sustainable financing	7,704	7,388	5,678	6,455	6,228
Green financing (outstanding)	1,987	2,361	2,855	3,168	3,373
Loans with state guarantee ³	1,179	1,193	1,031	1,349	1,222
Stimulation loans ⁴	389	445	106	489	451
Sustainable project finance	933	783	442	372	313
Sustainable mortgages and mortgages for starting home owners ⁵	2,450	1,976	654	565	482
Supporting local communities					
Rabobank Foundation, loans and donations	19.8	15.7	21.7	18.7	11.3
Cooperative dividend local Rabobanks (donations)	42.8	37.0	28.3	25.8	20.4
Donations Rabobank Netherlands, Rabobank International and other Group entities	4.6	5.2	4.2	3.3	3.8
Climate footprint					
CO ₂ -emissions attributable to business (x 1,000 ton CO ₂)	146	144	156	169	183
CO ₂ -emissions per FTE (tonnes CO ₂) ⁶	2.2	2.2	2.4	2.8	3.1

2 Sarasin was no longer a Rabobank Group subsidiary in 2012.

3 BMKB has succeeded BBMKB.

4 Rabo Stimuleringskapitaal (incentive capital) has succeeded the Stimuleringslening (incentive loan) and the Groei & Innovatielening (growth & innovation loan).

5 The monitoring of sustainable mortgages was revised in 2012; the figure for 2011 has been restated accordingly. As the figures for 2010, 2009 and 2008 have not been restated, they are not entirely comparable.

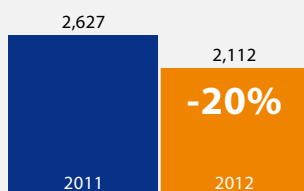
6 CO₂ emissions per FTE (tonnes of CO₂) are based on internal staff as well as external staff.

Financial developments

Economic decline weighing down profit

The economic situation combined with the uncertainty in the Dutch housing market led to low demand for loans and mortgages. Rabobank Group's private sector loan portfolio increased by a marginal 2% only in 2012, rising to EUR 458.1 billion. There was also keen competition in the savings market. Amounts due to customers increased to EUR 334.3 (329.9) billion. These developments resulted in a loan-to-deposit ratio of 1.39 (1.38). The provision for loan losses stood at EUR 2,350 million, up EUR 744 million on 2011, due, in particular, to the economic decline in the Netherlands and the slump in the property market.

Net profit
in millions of euros



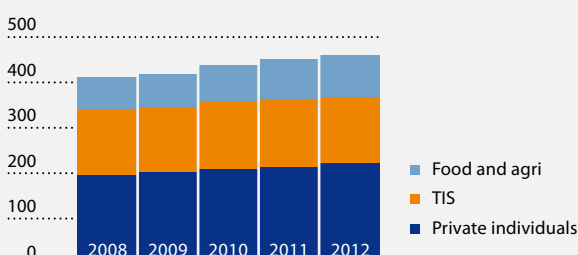
In addition, bank tax was introduced in the Netherlands in 2012, which caused a further expense item of EUR 196 million for Rabobank Group. Net profit fell by 20% to EUR 2,112 (2,627) million because of these developments. Return on equity was 5.6% (7.6%). The core tier 1 ratio was up 0.5 percentage points to reach 13.2% mainly as a result of retained earnings.

Marginal growth in loan portfolio

Growth in loan portfolio in the Netherlands more or less ground to a halt because of the economic situation and the uncertainty in the Dutch housing market. Relatively few people moved house in the Netherlands and many businesses were reluctant with their investments. The loan portfolio outside the Netherlands too saw moderate growth only due to the weak global economy.

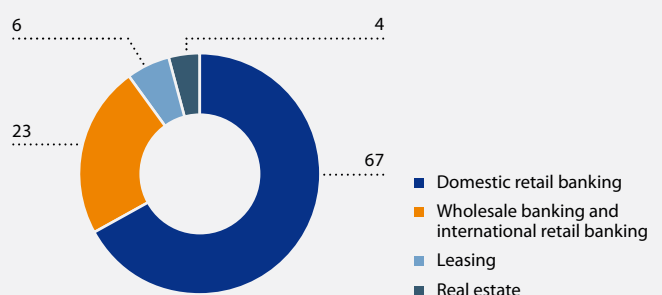
Loan portfolio private clients by sector

in billions of euros



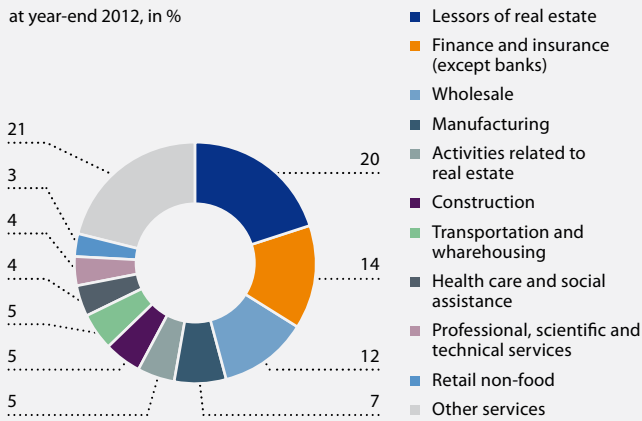
Loan portfolio by group entity

at year-end 2012, in %



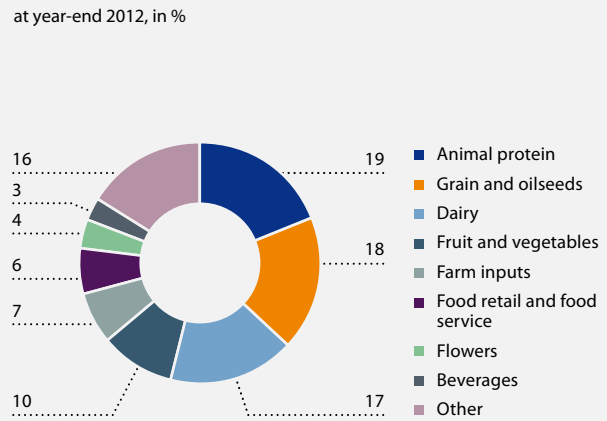
Loan portfolio TIS by industry

at year-end 2012, in %



Loan portfolio food and agri by industry

at year-end 2012, in %



The private sector loan portfolio increased by 2% on balance at group level, rising to EUR 458.1 (448.3) billion. This growth was mainly attributable to the acquisition of Friesland Bank and, to a lesser extent, to an increase in lending at Rabobank International, De Lage Landen and Obvion. The loan portfolios of the local Rabobanks and FGH Bank were more or less stable. Of private sector loans, 75% were issued in the Netherlands, 11% in America, 8% in European countries other than the Netherlands, 5% in Australia and New Zealand, and 1% elsewhere.

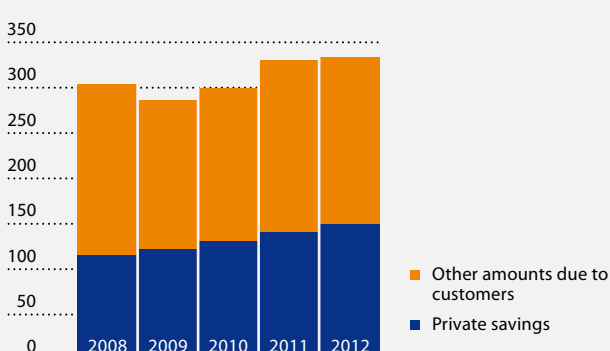
Of the private sector loan portfolio, 48% was made up of loans to private individuals, 32% of loans to the trade, industry and services (TIS) sector, and 20% of loans to the food and agribusiness sector. Loans to private individuals increased by 4%, landing at EUR 220.0 (212.3) billion. This portfolio is primarily made up of residential mortgages. The TIS portfolio was EUR 145.6 (147.9) billion. The focus that Rabobank International and De Lage Landen continue to place on the food and agribusiness resulted in a 5% increase in loans to this sector to EUR 92.4 (88.2) billion, of which EUR 60.0 (59.9) billion was issued to the primary agricultural sector.

Further rise in amounts due to customers

Rabobank Group's amounts due to customers were up 1% in 2012, rising to EUR 334.3 (329.9) billion. Thanks, in part, to the acquisition of Friesland Bank, domestic retail banking saw its amounts due to customers increase by EUR 13.8 billion to EUR 213.9 billion. In 2011, a host of institutional players were still parking large amounts at Rabobank as a result of the unrest in the financial markets at the time. Now that they have partially regained their trust in the financial system and because of a drop in rates, these institutional parties have gone back to seeking alternative ways to grow their assets. This was a decisive factor in the EUR 3.5 billion drop in Rabobank International's amounts due to customers to EUR 117.9 billion.

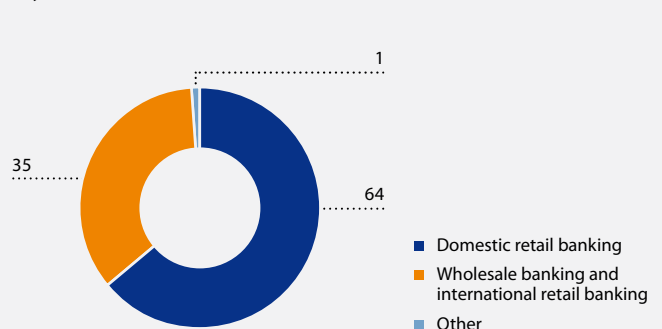
Amounts due to customers

in billions of euros



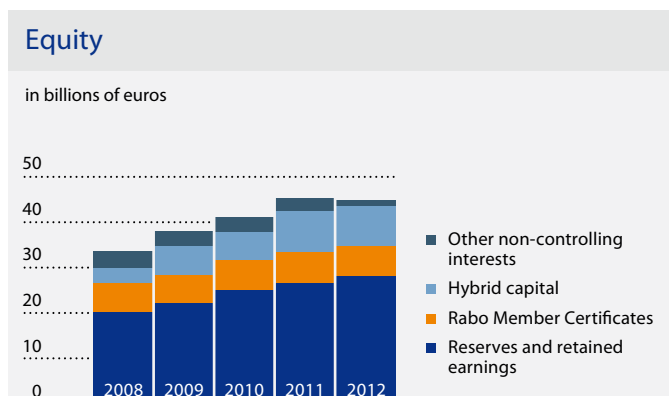
Amounts due to customers by group entity

at year-end 2012, in %



Amounts due to customers are made up mainly of savings deposits by private individuals, which continued to rise both in and outside the Netherlands. Savings deposits by private individuals increased by 7% at group level, landing at EUR 149.7 (140.0) billion. Of savings, 83% have been deposited with domestic retail banking and 17% with international retail banking.

Many Dutch private individuals decided to increase their savings in 2012, which led to further growth in savings deposits at the local Rabobanks. The acquisition of Friesland Bank also contributed to the rise in amounts due to customers in the Netherlands. In 2012, Rabobank International again managed to raise savings deposits via its online savings banks outside the Netherlands. The reporting year also saw the launch of the International Direct Banking concept in Germany under the label RaboDirect. As a result, the number of direct banking clients of the six foreign online savings banks rose to 670,000 from 472,000; savings deposits held by these banks were up 48% to EUR 24.2 (16.4) billion.



Developments in equity

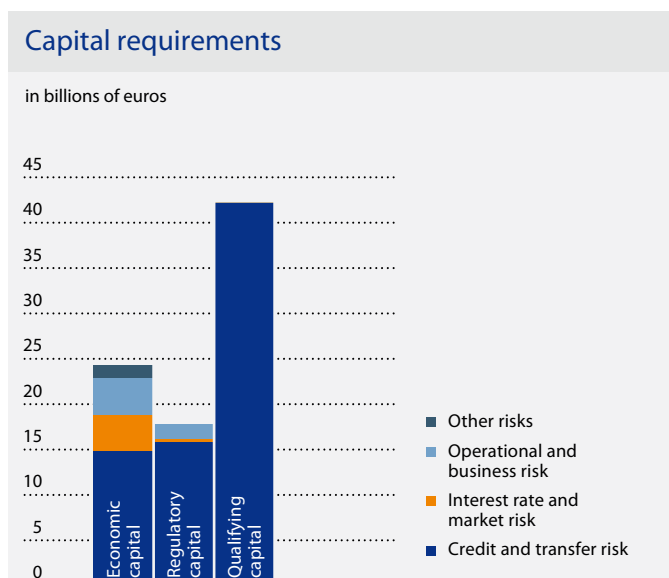
Rabobank Group's equity amounted to EUR 44.6 (45.0) billion at year-end 2012. Retained earnings and a EUR 0.2 billion partial conversion of Rabo Extra Member Bonds into Rabobank Member Certificates resulted in an increase in equity. In addition, non-controlling interests fell due to the completion of the sale of Sarasin. The redemption of Capital Securities worth USD 750 million also led to a drop in equity. Of equity, 63% is comprised of retained earnings and other reserves, 15% of Rabobank Member Certificates, 19% of hybrid capital and 3% of other non-controlling interests. Three subordinated loans of GBP 500 million, EUR 1 billion and USD 1.5 billion were issued in 2012.

Progress on financial targets

Because of developments in profit, the return on tier 1 capital, which is the ratio of net profit to tier 1 capital at the beginning of the year, fell by 2.0 percentage points to 5.6% (7.6%) in 2012. Rabobank still maintains its long-term target of 8%.

The core tier 1 ratio is the ratio of core tier 1 capital to risk-weighted assets. Thanks, in part, to retained earnings, this ratio improved from 12.7% to 13.2% in 2012. Rabobank plans to bring about further growth in the core tier 1 ratio until 2016 by improving profitability and making choices with respect to asset growth. The target core tier 1 ratio is 14%.

Rabobank experienced modest growth in lending in the year under review combined with a marginal drop in amounts due to customers. The loan-to-deposit ratio, which divides a bank's total loans by its total deposits, stood at 1.39 (1.38). Limited growth in lending is expected over the next few years. In order to achieve the envisaged improvement in the loan-to-deposit ratio to 1.3 at year-end 2016, Rabobank will need to bring about steeper growth in amounts due to customers both in the Netherlands and abroad.



Regulatory capital

Rabobank Group's required regulatory capital stood at EUR 17.8 (17.9) billion at year-end 2012. The capital requirement saw a limited drop overall. The increase as a result of the consolidation of Friesland Bank was more than offset by portfolio movements and portfolio changes in the risk assumptions at other divisions. Of the total capital requirement, 89% relates to credit and transfer risk, 9% to operational risk and 2% to market risk.

Rabobank Group uses the Advanced Internal Rating Approach, which has been approved by the Dutch Central Bank (DNB), to calculate the regulatory capital for credit risk for virtually the entire loan portfolio. The standardised approach is applied, in dialogue with DNB, to portfolios with relatively limited exposure and to a few smaller foreign portfolios that are not yet subject to the Advanced Internal Rating Approach. Operational risk is measured using the Dutch regulator-approved internal model based on the Advanced Measurement Approach. Where market risk is concerned, Rabobank has permission from DNB to calculate the general and specific exposures using its internal Value-at-Risk (VaR) models, based on the rules of CAD II (Capital Adequacy Directive).

Economic capital

7 The RAROC ratio was calculated by linking up net profit to average economic capital for the year.

in billions of euros	RAROC ⁷		Economic capital	
	2012	2011	31-Dec-12	31-Dec-11
Domestic retail banking	16.3%	24.0%	9.1	7.2
Wholesale banking and international retail banking	8.4%	10.3%	7.9	8.8
Asset management and investment	68.9%	7.4%	0.3	0.3
Leasing	27.6%	25.4%	1.3	1.3
Real estate	-12.8%	2.4%	1.8	1.7
Rabobank Group	9.0%	11.8%	24.3	22.8

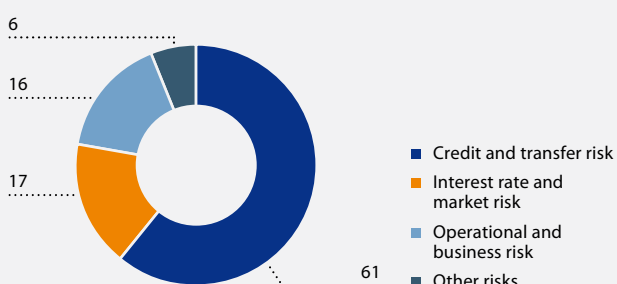
Over and above regulatory capital, Rabobank Group uses an internal capital requirement based on an economic capital framework. The key difference with regulatory capital is that it makes allowance for any material risks and that it applies a higher confidence level for economic capital (99.99%) than dictated for regulatory capital (99.90%). A broad spectrum of risks is measured consistently to gain an understanding of those risks and to allow a 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, 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.

Economic capital rose from EUR 22.8 billion in 2011 to EUR 24.3 billion in 2012. This increase was primarily attributable to a change in interest rate risk modelling. The economic capital for credit risk exposure was down on balance, with a rise as a result of the consolidation of Friesland Bank being more than offset by portfolio movements and changes in the risk assumptions at other divisions.

The available qualifying capital of EUR 42.4 (39.1) billion that is being held to cover any potential losses was well above total economic capital. This sizeable buffer underscores the solidity of Rabobank Group.

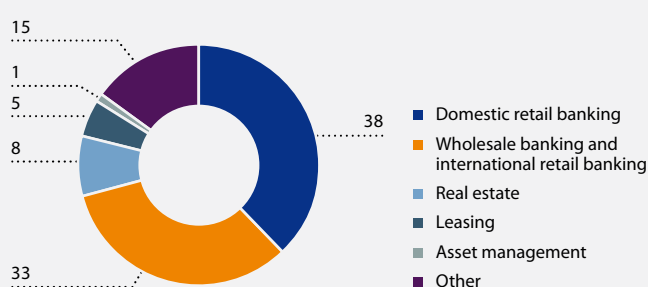
Economic capital by risk category

at year-end 2012, in %



Economic capital by group entity

at year-end 2012, in %



Financial results of Rabobank Group

Results

in millions of euros	2012	2011 ⁸	Change
Interest	9,097	9,174	-1%
Fees and commission	2,206	2,361	-7%
Other results	2,149	1,171	84%
Total income	13,452	12,706	6%
Staff costs	5,325	4,862	10%
Other administrative expenses	2,979	2,850	5%
Depreciation	527	540	-2%
Operating expenses	8,831	8,252	7%
Gross result	4,621	4,454	4%
Value adjustments	2,350	1,606	46%
Bank tax expense	196	-	
Operating profit before taxation	2,075	2,848	-27%
Taxation	160	355	-55%
Net profit from continued operations	1,915	2,493	-23%
Net profit from discontinued operations	197	134	47%
Net profit	2,112	2,627	-20%
Bad debt costs (in basis points)	52	37	41%

Ratios

Efficiency ratio	65.6%	64.9%
Return on equity	5.6%	7.6%
RAROC	9.0%	11.8%

Balance sheet (in billions of euros)

	31-Dec-12	31-Dec-11	
Total assets	752.4	731.7	3%
Private sector loan portfolio	458.1	448.3	2%
Amounts due to customers	334.3	329.9	1%

Capital requirements (in billions of euros)

Regulatory capital	17.8	17.9	-1%
Economic capital	24.3	22.8	7%
Qualifying capital	42.4	39.1	8%

Capital ratios

Tier 1 ratio	17.2%	17.0%
Core tier 1 ratio	13.2%	12.7%
Number of employees (in FTEs)	59,628	59,670

8 The figures for 2011 have been restated as a result of non-current assets held for sale and discontinued operations (Robeco).

Notes to financial results of Rabobank Group

Income up 6%

Rabobank Group's total income was up 6%, rising to EUR 13,452 (12,706) million. In 2012, 65% (62%) of Rabobank Group's total income was generated in the Netherlands. Competition in the Dutch savings market was fierce, which caused interest income to fall by 1% to EUR 9,097 (9,174) million. Insurance and securities commissions at the local Rabobanks were down. Also Sarasin no longer contributed to commission income as of August 2012. Due, in part, to these developments, total commission income stood at EUR 2,206 (2,361) million.

Interest rate developments, which led to a steepening of the yield curve and gains on hedge accounting, had a positive effect on other income. The same held true for the completion of the sale of the shares in Yes Bank and Sarasin, for improvements in the share of profit of Achmea, and for the acquisition of Friesland Bank. This was counteracted by the fact that the fall in credit spread on Rabobank-issued structured notes and high impairment losses on property developments had a negative effect on other income. Other income was up EUR 978 million on balance, rising to EUR 2,149 million.

Operating expenses up 7%

Rabobank Group's operating expenses were up 7% in 2012, rising to EUR 8,831 (8,252) million. Staff costs saw a 10% rise to EUR 5,325 (4,862) million because of an increase in pension costs in the Netherlands, the UK and the US, and a temporary step-up in outside staff. These costs climbed also due to routine pay increases. The headcount at group level stood at 59,628 (59,670) FTEs. It rose on the one hand because of the acquisition of Friesland Bank and a higher number of employees at the local Rabobanks, and fell on the other due to the completion of the sale of Sarasin. The acquisition of Friesland Bank and an increase in consultancy fees at Rabobank International caused an increase in other administrative expenses, whereas the completion of the sale of Sarasin produced a drop in these expenses. Due, in part, to these developments, other administrative expenses stood at EUR 2,979 (2,850) million. The sale of Sarasin was decisive in the 2% drop in impairment losses to EUR 527 (540) million.

Bad debt costs at 52 basis points

Because of the economic climate in the Netherlands and the weak property market, a relatively high number of TIS customers and customers operating in the property sector found themselves in financial difficulties. This situation forced Rabobank Group to increase its provisions, particularly at the local Rabobanks and FGH Bank. All in all, value adjustments were up 46% at group level, rising to EUR 2,350 (1,606) million. At 52 (37) basis points of average lending, bad debt costs were considerably above the long-term average of 25.

Net profit at EUR 2,112 million

Net profit was down 20%, falling to EUR 2,112 (2,627) million, because of higher allocations to the provision for loan losses and the introduction of bank tax in the Netherlands in 2012. The bank tax led to an additional expense item for Rabobank Group of EUR 196 million, which is about one-third of the total amount that was raised against the Dutch banks. The income tax expense was EUR 160 (355) million, which corresponds to an effective tax rate of 7.7% (12.5%). Net of non-controlling interests, payments on Rabobank Member Certificates and hybrid equity instruments, EUR 897 (1,549) million was available in retained earnings. This amount was used to further shore up Rabobank Group's capital position.

RAROC down 2.8 percentage points

Risk Adjusted Return On Capital (RAROC) is used as a measure whereby profitability is consistently weighed against risk. The RAROC ratio is used also for pricing at transaction level and in the credit approval process. Rabobank Group's RAROC ratio after taxes stood at 9.0% (11.8%) in 2012, a 2.8 percentage point drop on 2011, as a result of a decline in net profit against 2011 and an increase in economic capital.

Outlook for Rabobank Group

Given the economic outlook, lending is expected to show very limited growth only in 2013. Rabobank Group foresees relatively low demand for home mortgages in the Netherlands because of the ongoing uncertainty in the housing market, mandatory repayments on mortgage loans issued in 2013 and mortgage interest relief restrictions. Expectations are that Rabobank will continue to see competition on the Dutch savings market. Rabobank will seek to bring about further growth in its International Direct Banking activities. It is planning extra investments in ICT over the coming years so as to facilitate the envisaged profitability improvements in 2016. Rabobank Group first became liable to bank tax in 2012; the new resolution levy will be another additional one-off expense in 2013 or 2014. Although, in view of these developments, Rabobank Group's first priority in 2013 will be an organisation-wide focus on margins and costs, this will not be enough to escape pressure on net profit in 2013.

Strategy

Strategic Framework for 2013-2016: cooperative, robust and ambitious

Rabobank strategy for the period up to 2016 is outlined in the new Strategic Framework. Rabobank wants to be close to its clients, be at the heart of society and focus on sustainable development. Products should be as simple as possible and, needless to say, they should meet the actual needs of clients. Employees have a key part to play in this. Rabobank engages in universal relationship banking in the Netherlands and the rest of the world, and it wants to continue to do so based on its cooperative identity and principles. The Strategic Framework for 2013-2016 was adopted in September 2012, subsequently it was translated into policy proposals.

A more distinctive identity

Rabobank puts the interests of clients first. Many clients are currently experiencing tough times. In keeping with its cooperative principles, Rabobank endeavours to help its clients through this difficult period where possible and appropriate. The cooperative identity counts even more with a view to maintaining its distinctive edge. The aim is to ensure that the cooperative principles are tangible, perceptible and visible to customers and members of Rabobank. All employees are to play a crucial role in this. In addition, initiatives are being developed to give members greater influence and involve them more, since they are the people who keep the bank focused. Rabobank will be more vigorous in seeking interaction with clients outside the Netherlands, too, in the form of advisory councils or client panels, for example.

Catering to the Dutch market

With regard to the Netherlands, Rabobank has the ambition of becoming the market leader. Market leadership is not an end in itself. Rather, it puts Rabobank in a strong position to offer clients appropriate products. Sufficient scale is needed in order to innovate and develop products, and be able to operate efficiently. Rabobank already holds leading positions in the savings and mortgage markets, the SME sector and the wholesale segment. It wants to hold on to these leading positions and also strengthen its position in selected areas where it is still falling short of its ambitions. As a socially committed bank, Rabobank continues to take the lead in major political and social debates, such as the debate on the housing market and home loans.

Rabobank would eventually like to have a model in which treating customers fairly is combined with cost levels that are in line with the rest of the market. In keeping with the cooperative principle of restraint in business operations, attempts are also being made to reduce costs on

a structural basis at the Dutch retail banking business. Besides cost considerations, changing client needs in particular are forcing Rabobank to evaluate critically the branch location policy and the entire service chain, which extends from the local Rabobanks to Rabobank Nederland. The local Rabobanks' commitment to, and physical presence in, local communities and neighbourhoods where clients and members reside should not be allowed to suffer, and this will require all employees to make great efforts once again. Standardisation and virtualisation should ultimately lead to better customer service at lower costs, which, in turn, will lead to a lower headcount. Furthermore, the local Rabobanks will make the most of opportunities to introduce a greater focus in the use of cooperative dividend.

Rabobank International and subsidiaries

Rabobank International and its subsidiaries have a part to play in the retention of Rabobank's leading position in the Dutch market. In the rest of the world, Rabobank is looking to present itself as a cutting-edge and leading food and agri bank. In connection with this, services to customers of local Rabobanks with international operations will continue to be improved. The activities of Rabobank International and the subsidiaries need to be sufficiently focused on the food and agri sector, serve the real economy and be manageable and responsible from a risk perspective. In addition, the contribution made by different activities to achieving targets at group level will come under greater scrutiny. Moreover, synergies between different group entities will be strengthened further.

In the area of investment products, the local Rabobanks have offered their clients the option of choosing between different providers for many years. As a consequence, Robeco's role within Rabobank Group has gradually changed. The distribution model for investment funds will also change on a structural basis owing to the ban on commissions. Partly in the light of these developments, the strategic options for Robeco have been explored, resulting in the sale of the asset management subsidiary to Orix in February 2013.

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

People unite the bank

The social landscape and banking climate are undergoing rapid change. Rabobank employees will need to adapt to these developments since they represent the bank and can make a difference. Rabobank needs, and has, employees who endorse the distinctive cooperative identity and apply it in practice, who feel a sense of commitment to customers and who continue to work on their professional as well as their personal development. It goes without saying that employees are expected to act with integrity. Rabobank needs to develop a more modest pay-and-benefits package that shows greater restraint in some areas, is more in keeping with other sectors and can count on the support of customers, members and the community.

Sustainability

Sustainable banking is the standard in the policy pursued by Rabobank. A focus on the long term and on sustainable economic development, which strikes a balance between prosperity and well-being, is appropriate for this. Society is demanding greater transparency and accountability. During the year under review, a programme was launched with the aim of formulating the details of Rabobank's strategy on sustainability for the coming years, in order to facilitate the implementation of the updated strategic framework. Four customer promises and three sustainability themes, which serve as the starting points for this strategy, were formulated in 2012. The customer promises are:

- all of Rabobank's products and services make a transparent contribution to sustainable development;
- Rabobank gives priority to sustainable initiatives put forward by members and customers when providing access to capital, and rewards such initiatives with material financial incentives;
- Rabobank makes cutting-edge strategic knowledge of sustainability available to customers;
- Rabobank forms networks with customers with the aim of building long-term relationships and accelerating the pace of sustainable development.

These customer promises were used as a basis for defining three specific central themes:

- accelerate the transition towards global sustainable food & agriculture;
- promoting a circular economy;
- strengthen vibrant communities.

These themes were selected on the basis of Rabobank Group's market position, knowledge, ambitions and cooperative roots. They are consistent with the most important local and global environmental, social and economic challenges facing Rabobank and its stakeholders. Rabobank uses these themes as a basis on which it can build a leading position in the area of sustainability. Rabobank will flesh out these starting points with a large number of internal and external stakeholders in 2013 to arrive at specific targets for the next few years.

Financial frameworks

Adequate capital and liquidity buffers are the determinants of financial robustness. They are therefore prerequisites and are vital for retaining a high credit rating and good access to professional funding. Although Rabobank does not seek to maximise profit, healthy profit growth is important for ensuring continuity, certainty and further growth. Earnings will be under pressure in the next few years owing to low asset growth, fierce competition in the savings market, increased legislation and regulations, the costs of the ex-ante deposit guarantee scheme, the bank tax and the resolution levy. A group-wide focus on restraint and cost reduction is necessary to achieve the desired profit growth.

There will be little scope for growth in lending up to and including 2016. Demand for loans will be limited in the Netherlands owing to the state of the economy and the housing market. Elsewhere, opportunities for growth will be utilised on a selective basis. For instance, the international rural and retail banking business will grow slightly in order to shore up activities in several key countries. The wholesale banking business and De Lage Landen have limited scope for growth. As it is, the emphasis currently is on increasing amounts due to customers and on the further diversification of professional funding.

In the new Strategic Framework, Rabobank Group has specifically set itself the following financial targets in the areas of profitability, solvency and liquidity:

- a return on tier 1 capital of 8%;
- a core tier 1 ratio of 14% at year-end 2016;
- a loan-to-deposit ratio of 1.3 at year-end 2016.

The loan-to-deposit ratio is the ratio of total loans to amounts due to customers. Investments in the workforce and ICT will need to be made over the next few years in order for these ambitious targets to be achieved on schedule. It will be difficult to achieve these targets if the low economic growth seen in recent years continues until 2016.

Cooperative and sustainability

Mission, ambition and core values

Based on its identity, Rabobank sees cooperative banking and sustainability as being intertwined. Rabobank considers it its mission, for instance, to contribute to the sustainable development of prosperity and well-being by helping customers, communities and society at large to achieve their financial and other ambitions. As part of this mission, Rabobank Group wants to be one of the best and most customer-oriented and innovative financial institutions in the Netherlands.

In an international context, Rabobank Group aspires to be one off the best food and agri bank, with a strong presence in the world's major food and agriculture countries. In addition, Rabobank Group aims to reach global excellence in sustainable business and banking practices, as befits its identity and position in society.

In achieving its ambitions, Rabobank Group imposes high standards on itself, which have been summed up in the four core values of Rabobank Group's Ambition Statement:

- 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.

Cooperative banking

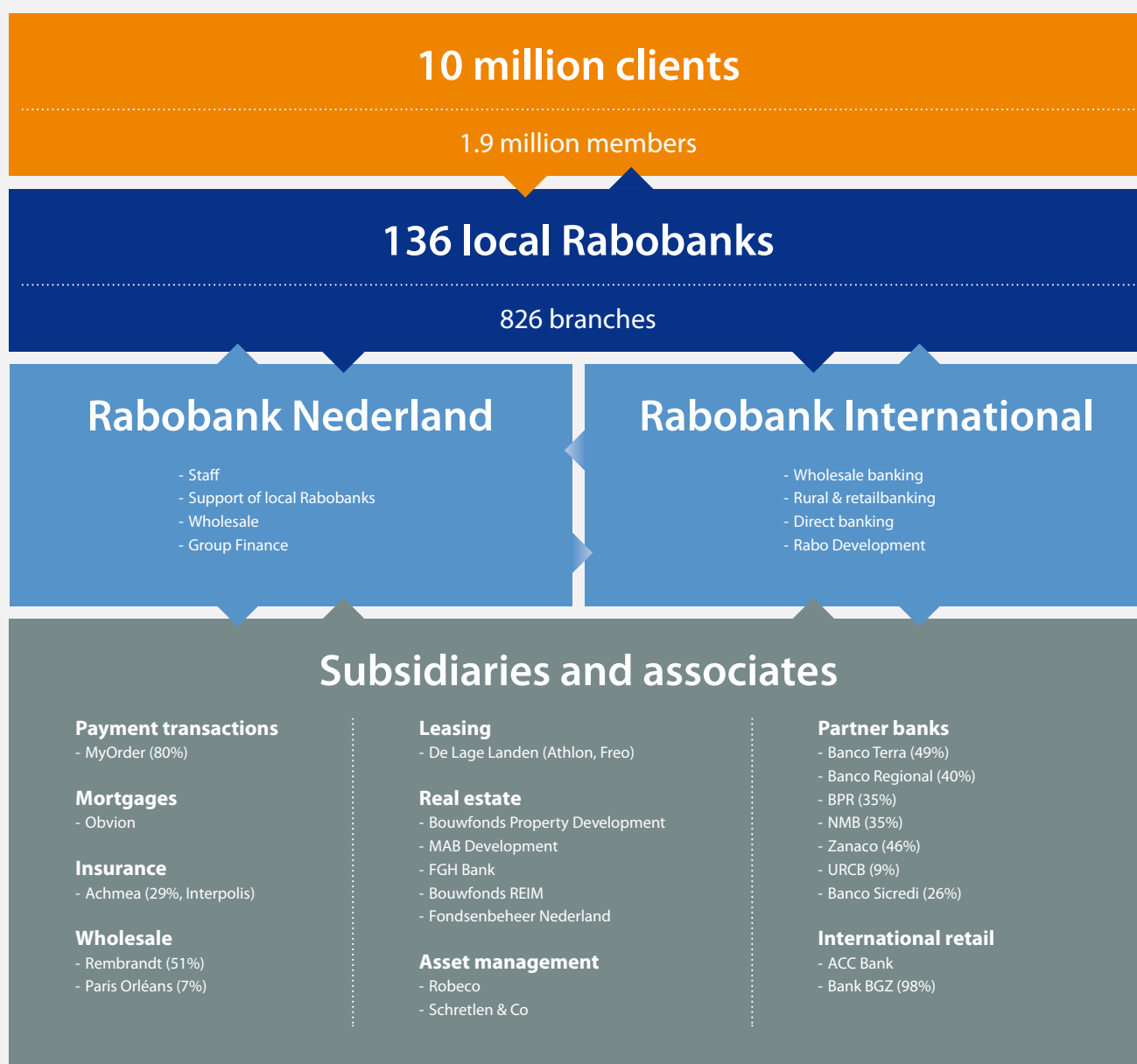
Rabobank's cooperative structure and local ties have set it apart for over 110 years. The 136 local Rabobanks, their more than 7.4 million customers and their 1.9 million members form the heart of the cooperative. The structure of Rabobank Group is typified by strong mutual relationships originating in its cooperative roots, even though the subsidiaries and associates are not structured as cooperatives themselves.

The changes in the banking sector in general and the scale of the local cooperative branches in particular have prompted an update of the local governance structure over the past few years. All local Rabobanks transitioned to the new governance model at year-end 2012. This model combines optimal integration of member involvement and member influence with professionalised bank management, with the member council forming the pivot of the bank's external orientation. Now that the new model has been implemented, all 136 local Rabobanks have a member council; there are some 5,000 highly committed member councillors in total who meet with the local Rabobanks three times a year on average to discuss cooperative banking in all its aspects.

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 in the Netherlands has an employee base of approximately 41,000 FTEs. Rabobank outside the Netherlands headcount numbers approximately 18,000 FTEs. Rabo Development supports the advancement of a banking infrastructure in seven countries, including 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 2012



2012: United Nations International Year of Cooperatives

The United Nations declared 2012 the International Year of Cooperatives. By doing so, they stressed the importance of the cooperative as a business model for the world economy. Rabobank was a partner of the UN International Year of Cooperatives. Cooperatives contribute to the economic vitality of local communities. Rabobank took the opportunity of this special year to showcase the added value of cooperatives by taking a large variety of initiatives at national, international and local level, both for the public and for employees, including:

- The launch of the Chamber of Cooperatives (www.kamervancooperatie.nl/ – in Dutch), a virtual platform designed to provide guidance to Dutch businesses considering adopting the cooperative as a business model. Rabobank was one of the co-initiators of this platform, together with PGGM and Achmea. Rabobank will be actively promoting the cooperative as a business model for self-employed persons. This legal form offers self-employed persons the opportunity to strengthen their position. Cooperative teamwork is the answer to the need expressed by nearly all self-employed persons to maintain their independence. A cooperative allows a self-employed person to stay independent while joining forces with others in the cooperative to increase market opportunities and reduce risks so as to improve their competitive position. The share of self-employed persons in the working population is expected to continue to rise over the coming years because of the economic crisis and greater flexibility in the labour market. Rabobank has developed information and tools for self-employed persons, which were introduced on the Day of the Self-Employed.
- The publication of a study on inclusive food strategies (Kader voor een inclusieve voedselstrategie) in the year under review. This study argues that it will be virtually impossible to restore the current and future imbalance of the food supply without harnessing the underutilised agricultural potential of existing small farms in developing countries and emerging economies. Unlike large agricultural businesses, small farmers in these areas usually have no access to affordable financial services, knowledge and education, market information, land, water and fertilisers. Close cooperation between stakeholders in the agricultural supply chain, such as authorities, the corporate sector, multilateral institutions and public interest groups, will be needed to increase food production. Cooperatives hold the key to this transformation.
- The first Rabobank Global Farmers Master Class in June. Having been invited by Rabobank, 50 farmers from 16 countries met to discuss the shared strategic challenges faced by the agricultural and food-producing industries on a global scale.
- The publication of 'Cooperatives and Rural Financial Development' and an English-language book entitled Raiffeisen's Footprint, in which European experts on cooperatives expound their views on the strength of cooperatives in times of economic crisis.
- The launch of the World Food Game (WFG) in September. This online game is designed to educate young adults (aged 16 to 25) about global food issues. Gamers can grow virtual crops and keep virtual livestock. The purpose of the game is to feed as many people as possible while warding off threats and relying on clever teamwork. The game won the international Co-Creation Award 2012 in the category 'for profit marketing & communication'. World=U, another initiative that was developed in collaboration with the Worldwide Fund for Nature (WWF), is a unique way to reach young adults and spur them into action to create a more sustainable world.
- A conference on partnerships for creating international food stability (Samenwerken aan internationale voedselstabiliteit) to close the Dutch International Year of Cooperatives. Rabobank teamed up with the Dutch Ministry of Foreign Affairs to organise a conference for the Dutch corporate sector, which was held at the parliament buildings in The Hague. One of the guest speakers was Her Royal Highness Princess Máxima, who spoke passionately about microfinance to small farmers in developing countries.

The online version of the Annual Report describes four concrete projects undertaken in the International Year of Cooperatives.

Cooperative dividend

In addition to offering financial services, Rabobank is committed to investing in local communities and in creating a more sustainable society. Rabobank has put a lot of effort and money towards achieving this ambition year after year. Rabobank can do this because, as a cooperative, Rabobank does not have any shareholders who demand the highest possible profits and dividends. For this reason, Rabobank is in a position to pay 'cooperative dividend' to the community, both on a local and national scale via community investment funds and of course via the local Rabobanks' cooperative funds. Members play a key role in

considering and determining how the available money is spent. But our cooperative dividend is also about volunteering, the provision of tools and resources, media and the Rabobank network. In 2012, EUR 67.9 (60.2) million was made available in the way of cooperative dividend.

Cooperative dividend

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

Community sponsorship

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

The Triple-P monitor is one example of how Rabobank spends its cooperative dividend. Local Rabobanks, their customers and other stakeholders use this monitor to work on developing a sustainable economic perspective in the local area. The Knowledge and Economic Research Department of Rabobank Nederland is called in to map out the social, economic and ecological strengths and weaknesses of the area. The purpose is to take concrete steps to aid in the further sustainable development of the area. Six Triple-P reviews were conducted in 2012.

A good example of the concrete follow-up to a Triple-P review was Food Vision 2012, an initiative of Rabobank Uden Veghel. After the study by the Knowledge and Economic Research Department, which showed the importance of strengthening the area's identity as a food, health and pharmaceutical hub, Rabobank Uden Veghel initiated talks with leading food players in the local area. This culminated in Food Vision, a four-day conference organised by these food businesses and related organisations. There was great interest in Food Vision, which was held at De Koekbouw in Veghel from 26 to 29 June. Over 1,000 players across the food chain met for four days to discuss food and health issues.

Rabobank Foundation

For 40 years already, Rabobank Foundation has supported the social and economic development of underprivileged groups worldwide. In keeping with Rabobank's cooperative principles, the Foundation helps to build financially self-sufficient member and other organisations, while relying on the financial support and the network of Rabobank Group, its customers/members and its employees. Poor farmers in developing countries are given the opportunity to improve their economic and social position by organising them in cooperatives and offering them access to finance, knowledge and new sales markets. These projects are meant to improve the income position of the farmers. The social impact follows on from the improvement in their economic circumstances. Rabobank Foundation projects outside the Netherlands also contribute to food security. By organising themselves in cooperatives, micro-farmers have a chance to improve their situation thanks to access to finance, knowledge and markets; this also helps to improve product quality and productivity. Rabobank Foundation also supports specific projects that let farmers produce key crops and products (such as rice, vegetables and milk) for local consumption. Communities will gain access to better and more food if their local farmers produce better and more products. In the Netherlands, the Foundation supports various projects and organisations by donating money and knowledge with a view to increasing the participation of underprivileged and vulnerable groups, i.e. people who, despite being socially or economically challenged, want to be fully fledged members of society.

In 2012, an amount of EUR 28.3 million in total (including the EUR 8.5 million contribution by local Rabobanks) was awarded to 189 projects in the Netherlands and abroad. In the Netherlands, EUR 2.5 million in total was allocated to 31 projects. Rabobank Foundation funded 158 projects outside the Netherlands by providing microfinance, donations, advisory services, trade finance and guarantees to savings and loans cooperatives and farmer/producer organisations in 23 developing countries.

Rabobank Foundation is also affiliated with two funds: the Rural Fund, which focuses on providing relatively large trade finance loans and guarantees to producer organisations, and the Rabo Foundation Customer Fund, which allows Rabobank customers to make a financial contribution to Rabobank Foundation projects. The Customer Fund saw sound growth in 2012 so that Rabobank Foundation was in a position to help out even more underprivileged people. The same went for the Rural Fund, which managed to broaden its reach in 2012.

Rabo Share4More, the Rabobank Group employee fund that is part of the Rabobank Foundation, also developed well in 2012. The fund, which now has more than 6,000 donors, awarded over EUR 600,000 in donations to 127 projects in 2012.

Rabobank's reputation still good but under threat

The reputation of the financial sector is under serious threat. Studies show that Rabobank still has a good reputation. In the Netherlands, 76% of the population were aware in 2012 that Rabobank is a cooperative bank, up from an awareness rate of 74% in 2011. At the same time, Rabobank is seeing a gradual drop in the positive rating of Rabobank as a cooperative from 59% to 57%. The perceived brand values also saw a drop. Rabobank did still score the highest of all Dutch banks on brand value, well ahead of the number two.

Image indicators of Rabobank in the Netherlands

	2012	2011
Rabobank as a cooperative		
Awareness of Rabobank as a cooperative	76%	74%
Positive rating of Rabobank as a cooperative	57%	59%
Brand values		
Committed	No. 1: 36%	No. 1: 40%
Lead over no. 2	17 percentage points	21 percentage points
Nearby	No. 1: 49%	No. 1: 53%
Lead over no. 2	14 percentage points	18 percentage points
Leading	No. 1: 41%	No. 1: 44%
Lead over no. 2	12 percentage points	14 percentage points

An increase in negative publicity about Rabobank since the end of 2011 was one of the main reasons for the drop in perceived value. Although the loss of the triple-A status from Standard & Poor's did not affect Rabobank's robustness, it did affect our image. Media reports about online banking malfunctions, the cycling team and Libor also had a negative impact on Rabobank's reputation. In addition, there were some smaller issues to contend with, including lending policy, rates, ram-raiding and phishing. All in all, maintaining our good reputation and strong brand position is more of a priority than ever before.

No more Rabobank Professional Cycling Team

At a press conference on 19 October 2012, Rabobank announced that it had decided to withdraw from professional cycling after having sponsored a men's team for 17 years. The bank made this decision after the publication of a research report by USADA, the United States Anti-Doping Agency. The report revealed information that had caused the bank to lose faith in international professional cycling as a clean and fair sport. Developments since October 2012 have confirmed the bank that it made the right decision. Several cyclists and other persons involved have confessed to the use of doping while they were employed by the Rabobank Professional Cycling Team. Some confessions date back to 1996, when Rabobank started as a team sponsor. When Rabobank became a sponsor of professional cycling, it did so full of enthusiasm and with a clear mission. Over the years, the bank broadened its sponsorship to comprise a complete package, from men's and women's professional teams, to youth teams and cyclo-cross. In doing so, Rabobank has always been an advocate of a

clean sport and, from the start of its sponsorship activities, Rabobank has always tried to enforce a zero-tolerance policy. The bank will continue to sponsor amateur cycling and the women's team headed by Marianne Vos.

Customer integrity

Knowing the customer and the associated integrity risks is a priority in the financial sector. The rules for customer integrity force banks to be able to explain the origin of their customers' capital and assets. It became apparent at year-end 2011 that not all local Rabobanks were conscientious enough in recording and reproducing integrity assessments for their customers. In 2012, the local Rabobanks put in extra efforts to swiftly reorganise their customer integrity files. These projects demanded a lot and caused an increase in workload and stress levels. Despite all the efforts and the results that were achieved, a number of branches' files still proved to be in some disarray at the end of the reporting period, so that the situation was not yet as envisaged.

Rabobank Group global presence

Including the Netherlands, Rabobank Group operates in 43 countries around the world with Rabobank and its subsidiaries. The countries in which Rabobank holds non-controlling interests or runs projects are not included in the list of countries in which Rabobank Group operates.

Rabobank International has offices in 661 locations in 30 countries.

Rabobank Group

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

43 countries

Rabobank International

30 countries

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

Rabobank Foundation

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

25 countries

The Rabobank Foundation supports projects in 25 countries.

Rabo Development

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

16 countries

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

Cooperative and sustainability

Sound sustainability policy

Sustainability is one of Rabobank's core values. Financial performance is important, but there is more than financial gain alone. Ecological and social achievements are key factors too. Rabobank wants its cooperative business practices to contribute to sustainability.

Rabobank's ambition of becoming one of the most sustainable financial institutions in the world was reviewed again in 2012. The yardsticks that Rabobank uses for measuring performance include the Sustainable Asset Management (SAM) sustainability rating, which has been called RobecoSAM since January. A new SAM rating was determined in the year under review. Compared to the banks that are included in the global Dow Jones Sustainability Index, Rabobank ranked tenth in absolute terms and scored 91% in relative terms: 91% of the benchmarked banks scored the same or lower than Rabobank, and 9% scored the same or higher. Rabobank's absolute rankings are comparable with the benchmark of 2010. An important barometer in the Netherlands is the annual Transparency Benchmark survey organised by the Ministry of Economic Affairs. Rabobank ranked 20th overall in the year under review, down from eleventh in 2011. Although the bank's exact position in such rankings is not an end in itself, Rabobank does endeavour to improve its scores.

Focus on key performance indicators (KPIs)

Based on the previous strategic framework, Rabobank focused on four central sustainability ambitions in 2012: 1) working towards a secure and sustainable food supply; 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, these ambitions were transposed into a number of key performance indicators (KPIs):

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

These KPIs serve as the starting point for the sustainability policy of each group entity. The extent to which sustainability 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 customers. As a result of the revision of Rabobank's strategy on sustainability, the targets and KPIs will be updated in 2013 to match the principles described in the chapter on strategy.

Sustainability KPIs in 2012

The KPI for helping customers move towards sustainable business operations did well in the year under review. This KPI shows an increase in the total amount of sustainable finance from EUR 7.3 billion to EUR 7.7 billion. The KPI for helping customers make responsible investments was stable at EUR 55.2 billion. Disregarding the effect of the sale of Sarasin, the score on this KPI rose by EUR 10 billion. Total cooperative dividend, which comes under the scope of the KPI for supporting community partnerships, was up from EUR 60.2 million to EUR 67.9 million. The fourth KPI, i.e. that for providing climate-neutral and energy-efficient services, was slightly up to 146,000 tonnes of carbon dioxide.

Food security and sustainable agriculture

The supply chain policy was modernised in the year under review. In addition to an update of the human rights policy, Rabobank revised the criteria for environmental conservation and biodiversity, and responsible practices for dealing with the rights and interests of communities. In addition, a draft policy was formulated for addressing social conflict involving changes in control over, and the use of, land, forests, fishing grounds and water sources. At year-end 2012, Rabobank and Robeco committed their active support to the UN Global Compact programme, which develops voluntary business principles for sustainable agriculture. By doing so, Rabobank Group endorses its ambition to contribute to food security and more sustainable agricultural supply chains.

Responsible investment

In October 2009, Rabobank Group launched the Responsible Investment programme, which is designed to align its investment services to the United Nations Principles for Responsible Investment (UN PRI) and to make responsible investment practices an integral part of our positioning in the asset management market.

All relevant group entities have since defined policy and started to implement it. In 2012, Rabobank Private Banking, Rabobank International Global Financial Markets and Robeco fleshed out the general goals of the programme into concrete goals for 2012 and 2013. A policy paper was developed for investments in agri-commodity derivatives. The first investor conference on responsible investments in the food and agribusiness was organised in June. The annual in-house seminar in October focused mainly on the most challenging investment categories for socially responsible investments, such as index products and alternatives. Finally, meetings were organised to educate Private Banking account managers and investment specialists about developments in responsible investment.

Circular economy and innovation

The circular economy is a generic term for an industrial economy that is restorative and in which material flows are designed to re-enter the biosphere safely. The efficiency with which businesses use raw materials is important to assessing the risks they incur and the production chain in which they operate. Rabobank advocates chain efficiency and encourages customers to take steps to increase their efficiency and reduce their industrial footprint. Rabobank undertook the following activities in this area in the year under review.

- Rabobank developed and shared knowledge through the publication of 'Pathways to a Circular Economy', which it issued in collaboration with the Rotterdam Port Authority. Rabobank supported 52 sustainable businesses in raising adequate finance for their innovations in the areas of the circular economy and renewable energy. Rabobank also opened an innovation desk.
- Rabobank uses the Herman Wijffels Innovation Award, which was presented for the eleventh time in 2012, to reward pioneers who champion sustainable and high-potential innovations that can make a difference for people and the planet. The theme of the award ceremony was the circular economy. The winner was Ibis Power, which has an idea for generating wind energy on top of buildings. FlexSol won second prize with its flexible solar cells and ClearDetections came in third with a detection method for harmful micro-worms. The award money was EUR 125,000 in total; the winners are expected to use this money to speed up the development of their innovation.

Partnership with Worldwide Fund for Nature

Rabobank Group works in partnership with the Worldwide Fund for Nature (WWF) both in and outside the Netherlands. Rabobank and De Lage Landen presented a report on worldwide developments in clean technology during the AWEA Wind Expo in Atlanta in 2012. The ties between WWF and Rabobank Chile were intensified by developing a shared vision of sustainability between WWF Chile, Rabobank Chile and local salmon farmers. This formed the basis for the action plan and the follow-up actions that will be undertaken in 2013.

Dialogue with society

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

In the year under review, Rabobank was in dialogue with public interest organisations about the following issues.

Discussion partner	Topic of discussion	Result
Amnesty International	Shell, Barrick Gold, Vedanta	Discussed engagement policy and results.
Centre for Research on Multinational Corporations (SOMO)	Wage costs and scale of banks (via Dutch Banking Association)	Explained views and response to research report.
Worldwide Fund for Nature (WWF)	Virunga Park Total	Explained engagement policy.
Worldwide Fund for Nature (WWF)	Initiative for sustainable eel farming (Dupan)	Exchanged ideas about eel farming. At customers' request, Rabobank asked WWF to enter into a dialogue with Dupan in order to forge a partnership. WWF did not follow up on this request.
WWF, Banktrack, Greenpeace	Funding of coal-fired power plants	Explained views: all of Rabobank's energy loans have been put towards renewable energy over the past three years.
TNI, FIAN	Land grabbing	Explained policy, views and practices relating to agriculture and refuted incorrect sources. TNI and FIAN withdrew their publication and are investigating the matter further.
Dutch national government	Abuses in soybean cultivation, land grabbing, infringement of rights of indigenous peoples of Brazil	Rabobank indicated that it had no presence or interests in the areas mentioned by the Members of Parliament. The bank applies a policy that is stricter than the law to avoid becoming involved in such abuses.
Oxfam Novib	Land grabbing	Explained policy and approach to engagement. Answered questions about involvement in specific abuses. Internal investigation into issue and preparing stricter policies.
UN Global Compact, UN FAO	Sustainable agriculture	Explained views and provided input into development of Global Compact principles for sustainable agriculture.
Business & Human Rights Resource Centre, SOMO	Investments in agri-commodity derivatives/food speculation	Explained views. Commissioned internal taskforce to conduct a study. Formulated position paper.
Friends of the Earth Groningen	Complaint about member offer (briquette press)	Withdrew member offer.
Society for the Protection of Animals	Finance for equipment for poultry farm and slaughterhouse in Ukraine	Explained views: finance was for latest technology that promotes animal welfare and contains health risks better than usual in the sector.
Fair Bank Guide (Oxfam Novib, IKV Pax Christi, Society for the Protection of Animals, FNV Mondiaal, Amnesty International)	Renewable electricity, ship scrapping, sustainability policy, sustainable investment	Conducted meetings on these issues. Ship scrapping policy will be changed. Rabobank is the largest financier of renewable energy production.
Greenpeace	Energy and climate policy	Explained policy and activities designed to reduce energy consumption and increase use of renewable energy.
Greenpeace	Response to draft report on involvement of banks in illegal deforestation in Brazil	Explained policy and practices. Rabobank has strict policies and proved not to be involved. Report withdrawn.
IKV Pax Christi	Cluster munitions	Explained policy and policy developments.
Friends of the Earth Netherlands	Biofuels	Explained policy and views.
Tropenbos International	Research into the protection of tropical forests	Shared views and knowledge.

Contributing to worldwide food security is one of the core themes of Rabobank's sustainability policy. Where creating more sustainable supply chains in the food and agribusiness is concerned, Rabobank is actively involved in various round tables, which are multi-stakeholder initiatives for different commodities such as palm oil (RSPO), soy (RTRS), cotton (BCI) and beef (GRSB, GTPS). Rabobank also teams up with intergovernmental organisations, the corporate sector and public interest groups, for instance in the United Nations Global Compact for sustainable agriculture. In addition, Rabobank works in partnership with organisations such as The Sustainable Trade Initiative (IDH), Solidaridad and the Worldwide Fund for Nature.

Responsible use of agri-commodity derivatives

Following the public debate about commodity derivatives, Rabobank decided to update in 2012 its vision of the effects of financial speculation in commodity derivatives. Rabobank does not speculate in agri-commodities for its own account and risk and can use derivative

products to hedge risk exposures incurred by customers in the real economy. Until now, leading international studies have not produced conclusive evidence that derivative markets have a material inflationary effect on the price of food commodities and food products.

Land-related conflicts

In the year under review, Rabobank met with public interest groups such as Oxfam Novib, the Transnational Institute, FIAN and Banktrack about its policy in relation to land grabbing, i.e. the buying or using of land in developing countries by large transnational food and agri companies. The organisations are concerned about the negative effects of land grabbing on local communities and the environment. This has prompted Rabobank to launch an extensive study of the issue and initiate internal debate, for instance in the Ethics Committee.

It was concluded that land acquisition has been a common phenomenon in the food and agribusiness for many years and that it cannot or should not be dismissed without considering further arguments. Rabobank has defined policy to avoid becoming involved in unfair land acquisition and to provide positive input into these processes where appropriate to its role, based on the premise that local communities should have sufficient influence on developments that affect them heavily. The problem centres on the land-related conflicts that may arise when there is a change in the ownership or use of land, particularly where there is no adequate legislation or government enforcement. Finally, Rabobank stresses the crucial role that local authorities play in creating conditions or enforcing rules. Based on the outcome of the dialogues and the internal study, Rabobank will adjust its supply chain policies by focusing more on the position and rights of weaker groups and communities. In addition, it has developed a theme policy for the prevention and resolution of land-related conflicts. The policy is expected to be finalised and implemented in 2013.

Abuses in mushroom farming

Rabobank does not accept employment structures that are designed to work around the law. In the year under review, Rabobank tightened its policy for working conditions at mushroom farms. The policy is meant to prevent or put an end to employment structures and working conditions that potentially breach the law and violate human and labour rights. Rabobank screened its portfolio in this sector based, in part, on the updated human rights policy; where needed, the bank initiated a dialogue with mushroom farmers to help them improve their business practices. Rabobank will take further measures if these farmers do not take follow-up action.

As the largest financier of mushroom farming, Rabobank is closely involved in the development of a quality mark for this sector. The bank actively encourages businesses in the sector to join this initiative. The Dutch government has also acknowledged the abuses in mushroom farming and has stepped up the inspections by the Inspectorate of the Ministry of Employment.

Ethical dilemmas

Rabobank Group employees who are faced with an ethical dilemma can refer the issue to the Ethics Desk, which has been established to encourage dialogue and to improve compliance with all the relevant rules and regulations.

The Ethics Committee, which is chaired by the Chairman of the Executive Board of Rabobank Nederland, advises all Rabobank group entities on ethical questions. An introduction video was produced in 2012 to raise the profile of the Ethics Desk and the Ethics Committee. In addition, Rabobank communicates about ethical dilemmas via internal and external platforms. Ethics was added as a theme in the seminars that were organised for members of the supervisory committees of local Rabobanks.

The Ethics Committee addressed the following issues in 2012: controversial weapons and controversial regimes, land grabbing, the moral and ethical declaration, the integrity of religious institutions, sustainability in livestock farming, food speculation, customer integrity, developments in shale gas and anti-corruption. The ethical dilemmas that are discussed, and advised on, by the Ethics Committees were communicated internally so that all employees could read about the proceedings.

An example of a dilemma discussed by the Ethics Committee was a case referred to it by a local Rabobank involving a customer who defaulted on the terms and conditions of his mortgage loan and threatened to fall into foreclosure. The customer finds himself in an

exceptional and vulnerable position, and is incapable of sorting out the situation. There is no perspective of a new home. The branch wants to look after its customer without creating a precedent. The bank's duty of care, humane aspects and reputational risk came into play in this case. In the Committee's opinion, the branch had an obligation to find an acceptable solution, for instance by initiating a dialogue with the housing association and the local authorities. The Committee also felt that the customer could not, in any event, be allowed to continue to own the property. For this reason, the Committee asked the local Rabobank in question to explore further options for minimising the losses on the sale of the house as much as possible. Although this was an exceptional case, there is a chance of similar circumstances given the current economic situation. This case is illustrative for the broader public debate about the role and duty of care of banks in this day and age.

Another example of a dilemma addressed by the Ethics Committee was a loan application for a number of ships that will be used as patrol and fast interceptor vessels in the territorial waters of a South American country. This country is fighting drug smugglers and drug cartels, and wants to use patrol and fast interceptor vessels to protect its coastal waters. Rabobank Group's policy for the arms industry sets criteria for how to assess a loan application such as this one. Among other provisions, the policy stipulates that human rights should not be violated, nor is the equipment to contribute to the provocation of conflict or the rise of tensions that might adversely affect the peace, safety and stability in the region. The vessels in question are civilian objects; they do not carry any military equipment and they will be used to protect the coastal areas of the country. The Ethics Committee ruled that the export transaction involving ships for this South American government was acceptable at that time.

Human rights and arms industry

Rabobank Group's human rights policy (including labour rights) was updated at the end of 2011. This policy is in keeping with the United Nations' international human rights framework for corporations. This policy was further integrated into Rabobank's supply chain policy in the year under review. In addition, the policy was transposed to the local Rabobanks to help them address the current abuses and risks in mushroom farming and irresponsible ship scrapping. The further implementation of this policy will be fleshed out in 2013.

Investments in cluster munitions have been legally banned since 1 January 2013. Rabobank updated its arms industry policy to reflect these new rules. The policy was tweaked also in respect of controversial regimes. Rabobank wants no involvement whatsoever with such regimes. Regimes qualify as controversial if they are subject to an arms embargo as well as to financial sanctions and travel restrictions imposed by the United Nations, the United States and/or the European Union.

Anti-corruption

The group-wide anti-corruption policy was updated in 2012 to fall in line with the provisions of the British Bribery Act. Having been a member of the United Nations Global Compact ('UN GC') since 2002, Rabobank is not only committed to avoiding bribery, extortion and other forms of corruption, but it has also undertaken to develop policies and concrete programmes to address corruption (based on the tenth principle of the UN GC). Rabobank has shared its knowledge of, and approach to, anti-corruption with the UN GC so that others can use it to their benefit.

Moral and ethical declaration

On 1 January 2013, the moral and ethical declaration came into force for executives and non-executives as part of their suitability check. At Rabobank Nederland, the qualifying persons are the members of the Executive Board and the members of the Supervisory Board. The members of the Management Teams and Supervisory Committees of the local Rabobanks are also required to make the declaration. Rabobank started to ask these persons to make the moral and ethical declaration in mid-December 2012. In the course of 2013, the Dutch Ministry of Finance will issue detailed recommendations for the introduction of the declaration for other staff and the sanctions that will be imposed for non-compliance. As far Rabobank is concerned, the declaration is perfectly in keeping with its cooperative identity enshrined in the Ambition Statement and the related behaviours described in the Code of Conduct. What is more, the moral and ethical declaration is inherent in cooperative banking practices.

Environment and operations

Climate-neutral operations

Rabobank Group has been climate-neutral since 2007 and actively aims to reduce the greenhouse gas emissions of its operations. It adheres to 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. Our carbon footprint for 2012 was more or less the same as in 2011, both in absolute terms and in emissions per FTE. Carbon emissions produced by our operations are offset by purchasing VCS-certified carbon credits issued by wind energy projects in India. Thanks to this, Rabobank Group's operations were climate-neutral in 2012.

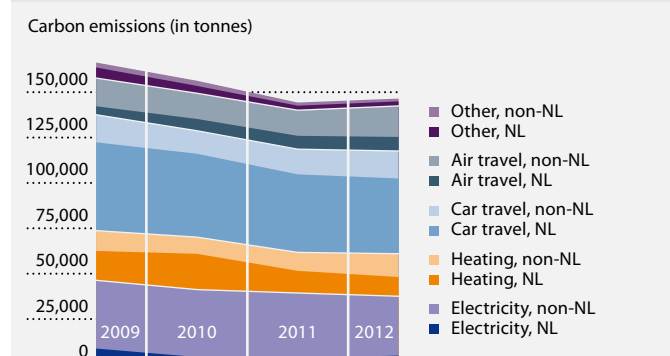
Carbon footprint

Rabobank has changed one of the principles for calculating its carbon footprint. The conversion factor used for electricity was adjusted, bringing it more into line with common practices in this area. The change had a significant impact on our carbon footprint for electricity. Despite the change, it was still possible to make a fair comparison as conversion factors are also available for years prior to 2012. The restated carbon footprint⁹ for 2011 was 144,290 tonnes of CO₂. The carbon footprint for 2012 corresponded to 146,380 tonnes of CO₂, which means Rabobank's carbon footprint was slightly higher in 2012. The carbon footprint per FTE also rose slightly compared with 2011 owing to a substantial increase in air travel and increased emissions caused by heating of buildings abroad, but in other areas emissions decreased. A consequence of the increased emissions per FTE is that the 20% CO₂ reduction target per FTE between 2009 to 2013 has not yet been achieved, while this was the case last year.

9 The figure for 2011 has also been adjusted to correct errors in data that were detected in 2012.

10 Figures for previous years have been adjusted to reflect the change in methodology.

Carbon footprint, geographic breakdown by activity¹⁰



Long-term trends

There are differences between Rabobank's domestic and international carbon footprints. The graph next to this text visualises this. The decrease of the footprint in previous years was mainly caused by efficiency improvements in the heating of buildings in The Netherlands. This decrease has stabilised in 2012. In 2012 the heating of buildings abroad became less efficient and air travel increased.

Financing green electricity

During the year under review, the Fair Bank Guide published a report which revealed that all of the financing Rabobank provided for electricity generation in 2010 and 2011 went to sustainable electricity generation projects. Rabobank was also the bank that had achieved the largest increase in absolute numbers in this area compared to previous years.

Sustainable ICT

Rabobank is helping to bridge the digital gulf between developed and developing countries. In connection with this, in 2012 Rabobank Nederland signed an agreement with Close the Gap. Every year, Rabobank will donate around 15,000 computers that have been written off for use in education in developing countries. In addition, Rabobank will contribute a maximum of EUR 150,000 over a period of three years towards e-waste recovery, so that electronic waste can be responsibly recycled to produce components.

Paper

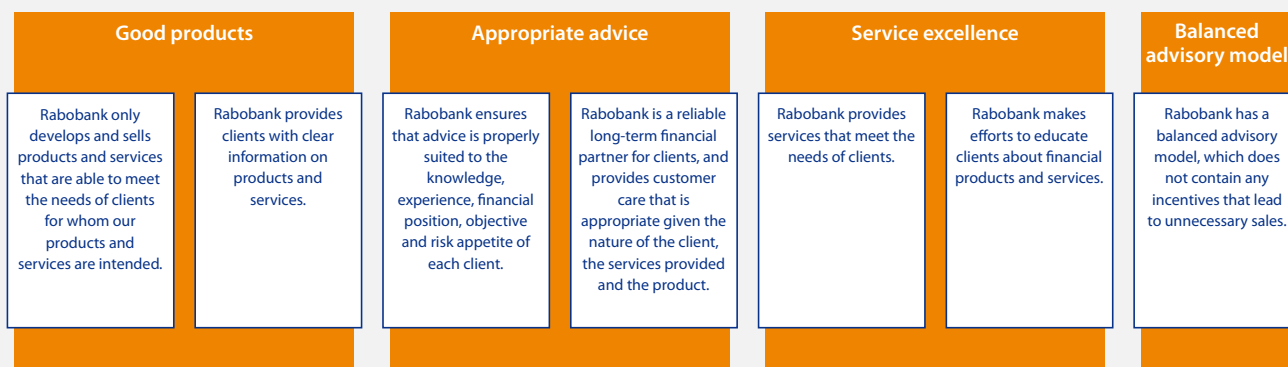
Bank statements issued by Rabobank are printed on both sides of the page. Rabobank is the first bank in the Netherlands to do this. The number of A4-sized bank statements fell to 116 million (155 million), while there was a 16% fall to 77 million in the number of envelopes containing bank statements due to increased use of computers.

Treating Customers Fairly

As a cooperative, Rabobank's principal starting point for the services it provides is the interests of customers. It is Rabobank's ambition to provide customers with the best possible service and treat them with the greatest possible care, putting their interests first. This is enshrined in Rabobank's code of conduct, mission statement and cooperative structure. To underscore its ambition of providing clients with the best possible service, Rabobank launched Customer Care, an internal programme, in 2008. In 2010, Rabobank formulated four clear deliverables: good products, appropriate advice, service excellence, and a balanced advisory model. This framework will be evaluated and revised in 2013.

Rabobank uses performance indicators so that activities related to these deliverables and policy principles can, insofar as possible, be measured and embedded in management information. Continuous customer surveys on the deliverables form an important source of information for monitoring and adjustment purposes. In 2012, activities and improvements in the area of customer focus were reported on a quarterly basis for each department. At local Rabobank level, management information on matters such as customer satisfaction and the quality of advice provided by that bank are made available to each Management Team. This is done with the aim of making customer opinion regarding service quality an integral part of the organisation's decision-making and management. A number of improvements were made during the year under review to ensure an even greater focus on customer interests.

Rabobank framework for Treating Customers Fairly



Good products

Rabobank has had a product approval committee since 2004. This committee checks the quality of products and their benefits for clients, and assesses whether the information received by clients is easy-to-understand and complete. It also monitors whether products and services reflect the needs of clients. Since 2006, all products and services, including changes to existing products and services, have had to be submitted to the committee. Whenever Rabobank reviews a product in this way, the product information is always reworded in simple Dutch. In 2012, work continued on reviewing the product range for existing and new products. The complete product range of Rabobank, except for a few products for which the review has been delayed due to upcoming changes or termination, was reviewed based on the current requirements and the interests of the customer.

Appropriate advice

Rabobank developed a new mortgage advice procedure in 2012 to provide clients with greater clarity and make its focus on customer interests even more explicit. Rabobank is aiming for a more integrated assessment of the needs of clients in both the short and long term, rather than taking a product-driven approach.

Service excellence

Rabobank makes great efforts to ensure its service level is in keeping with the wishes and needs of clients. Customer opinion in this area provides input for improving services. More and more consumers are using new media and virtual contacts. In 2012, Rabobank took further steps to provide clients with cross-channel services, irrespective of when the client wants to access services or which channel the client chooses (telephone, internet, mobile device, or a meeting with an adviser).

In 2012, work continued on the implementation of a new integrated complaint management policy in 2012. The policy will be fully implemented in 2013.

Balanced advisory model

With regard to charges and fees for services to clients, Rabobank aims to charge amounts that are appropriate for the service provided. Customer focus and teamwork have been required competencies in Rabobank's performance appraisal and remuneration system for many years. Employees who have direct or indirect contact with clients have an explicit customer focus target, which ensures good customer care and discourages irresponsible risk-taking. The extent to which an employee focuses on customer interests determines whether they receive a good appraisal.

A new business model for investment services was developed in 2012 and will be implemented in 2013. This model will result in a simpler pricing structure for customers, providing them with better insight into the costs of the services in which they are interested.

2012 also saw the development of a new retail services advice framework, in which advisory services and products are separated. This framework will be implemented in 2013. Furthermore, on 1 January 2013 Rabobank introduced a transparent fixed fee for advisory services related to occupational disability insurance and pensions.

AFM Dashboard

One of the key focus areas of the regulatory activities of the Netherlands Authority for the Financial Markets (AFM) relates to a specific theme: Treating Customers Fairly (TCF). The TCF Dashboard reflects the extent to which the AFM believes a business is succeeding at treating its customer fairly. In reaching its opinion, the AFM looks at different products, procedures and services. By awarding scores, the AFM aims to offer businesses an understanding of the extent to which they actually treat customers fairly and focus on their interests. It also wants to encourage businesses to make a conscious effort to give due weight to the concept of treating customers fairly and apply it in practice. The AFM's TCF Dashboard covers the ten largest banks and insurers in the Netherlands.

It is Rabobank's ambition to treat customers more than fairly. Rabobank believes that this ambition should also be reflected in its dashboard scores. Rabobank recognises that this dashboard and the AFM's feedback concerning specific elements form a useful frame of reference and serve as a guide for future improvements, supplementing its own set of values and customer surveys. The AFM TCF Dashboard is based on a scale of 1 to 5. The following

table shows Rabobank's scores for 2012 compared with 2011 and the average score of the other major market players included in the Dashboard. Rabobank's overall aim is to achieve an average score of 4 for each element.

Modules applicable to Rabobank	Rabobank 2012	Rabobank compared to sector average 2012 ¹¹	Rabobank 2011	Rabobank compared to sector average 2011 ¹¹
Dashboard	3.4	above	3.0	equal
Savings policy	3.7	equal	3.3	above
Mortgages	3.4	above	2.5	below
- Self-assessment	3.0	below	2.5	below
- Payment arrears (new)	3.8	above	-	-
Consumer loans	3.1	below	3.8	above
Investment	3.6	above	2.8	equal
- Cost of investing	3.0	above	-	-
- Distribution fees	4.2	above	-	-
- Investment services	3.6	above	-	-
Transparency	2.9	below	2.5	above
Complaint management	3.5	below	2.7	below
Overall change	3.7	-	3.3	-
Organisational management	3	-	4	-
Employee management	4	-	2	-
Change strategy (bonus/penalty)	+ 0.1	-	4	-
Learning organisation (bonus/penalty)	+ 0.1	-	-	-

11 Sector average represents the average score of the five largest banks and five largest insurance companies in The Netherlands. The AFM does not publish average scores for Overall change.

Rabobank was awarded a score of 3.4 in the TCF Dashboard, above the sector average. The only module for which Rabobank scored less than 3.0 relates to the provision of transparent information. Consumer loans is the only module in which Rabobank's score went down in 2012, from 3.8 in 2011 to 3.1. However, the scores for 2011 and 2012 are not fully comparable because the AFM made a number of changes to this module.

The AFM also looks at 'overall change' at organisations in order to increase the focus on treating customers fairly. As part of this, it pays attention to the way in which the organisation safeguards customer interests. This year, the overall change module encompassed the following elements: change strategy, organisational management (KPIs), learning organisation and employee management. Rabobank achieved a score of 3.7 for the overall change module in 2012.

Rabobank views the improvements in the TCF Dashboard scores positively, and it will continue to make further improvements.

Rabobank performance indicators Treating Customers Fairly

The following tables set out the performance indicators used at Rabobank for measuring activities related to the deliverables and policy principles. All entities use the Net Promoter Score (NPS) system. In this system, customers are asked to rate how likely they are to recommend Rabobank to others. Customers are classified as promoters (rating of 9 or 10), neutral (rating of 7 or 8) or detractors (rating of 6 or lower). The number of detractors is subtracted from the number of promoters to obtain the NPS. In the corporate market, the NPS-Plus (TRI*M-index) system is also used. In addition to the recommendation score (NPS), this system also incorporates scores for customer satisfaction, likelihood of choosing Rabobank again and competitive advantage, which together make up the NPS-Plus score.

Retail clients

KPI	Actual 2012	Target	Actual 2011
NPS (% of customers who would recommend Rabobank to others)	-6%	0%	-7%
Number of customers for whom Rabobank is their primary bank (x 1,000)	1,607	1,675	1,603

Private Banking

KPI	Actual 2012	Target	Actual 2011
NPS (% of customers who would recommend Rabobank to others)	-6%	0%	-6%
% of customers who claim that their account manager has helped them achieve financial peace of mind	50%	60%	47%
% of customers who feel that Rabobank actively monitors customer relations	7%	25%	Unknown
% of customers whose day-to-day banking affairs are handled impeccably	63%	50%	63%

Source: for 'financial peace of mind', Lokaal Onderzoekhuis – Contact modules - Miles Research.

For other the indicators: National Customer Satisfaction Survey - Partial report 'Quarterly NPS report' - Miles Research.

The NPS for retail clients and Private Banking is slightly lower compared to the target. Clients do not feel that their advisers provide enough added value at the moment. For this reason, a great deal of attention is being paid to providing policy-related support, such as tweaking the mortgage advice framework. At the same time, the added value of the advice provided is being made more visible, for instance through a programme that provides pension advice to persons who are both the director and major shareholder of a business. Preparations have been made for the phased introduction of a new fee structure.

The revamped integrated complaint management procedure in particular offers opportunities to increase the proportion of customers who are happy with how their day-to-day banking affairs are handled, because it will demonstrate to customers that Rabobank focuses on their interests and that their opinion counts, and enable Rabobank to learn and discover opportunities for improvement. Employees' job profiles and the remuneration system have been brought into step with the policy principles for Treating Customers Fairly, and training is also available on how to conduct meetings and consultations so that customers are happy. This should help make clients feel better about the extent to which they perceive financial peace of mind.

Corporate Advice

(businesses with up to EUR 1 million in revenue)

KPI	Actual 2012	Target	Dutch banks (average)	Actual 2011
Customers in Trade, Industry and Services (both primary and secondary customers)				
Recommend (NPS = % of promoters - % of detractors) (How likely are you to recommend Rabobank to others)	-24%	> 0%	-33%	-15%
Satisfaction (% excellent, very good or good) (How would you rate Rabobank in general)	79%	-	75%	81%
Choose again (% certain, likely) (How likely are you to choose Rabobank again)	63%	-	54%	68%
Competitive advantage (% very great extent, great extent, some advantages) (To what extent do you believe Rabobank provides advantages)	58%	-	49%	63%
NPS-Plus (overall score or TNS NIPO TRI*M-index)	47	52 (stable)	40	52
Promoter NPS (primary customers only)	-19%	> 0%	-26%	-11%

Source: TNS NIPO, Customer loyalty survey, December 2012

Corporate Clients

businesses with EUR 1 to 10 million in revenues

KPI

Customers in Trade, Industry and Services

(both primary and secondary customers)

	Actual 2012	Target	Dutch banks (average)	Actual 2011
Recommend (NPS = % of promoters - % of detractors) (How likely are you to recommend Rabobank to others)	-11%	> 0%	-23%	-9%
Satisfaction (% excellent, very good or good) (How would you rate Rabobank in general)	78%	-	77%	86%
Choose again (% certain, likely) (How likely are you to choose Rabobank again)	60%	-	54%	71%
Competitive advantage (% very great extent, great extent, some advantages) (To what extent do you believe Rabobank provides advantages)	65%	-	55%	68%
NPS-Plus (overall score or TNS NIPO TRI*M-index)	52	55 (stable)	40	55
Promoter NPS (primary customers only)	-6%	> 0%	-17%	-5%

Source: TNS NIPO, Customer loyalty survey, December 2012

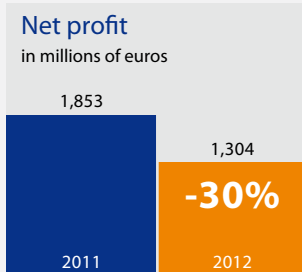
A downward trend in customer satisfaction can also be observed among corporate clients. While clients expected extra attention and commitment in these difficult economic times, they felt that the bank often failed to pay sufficient attention to clients in the past year, or that the bank focused on documentation and checks. Customer surveys also revealed that the trend in satisfaction and market share can be reversed if Rabobank does what it has traditionally been good at: paying focused attention to clients and demonstrating commitment.

In an effort to increase the percentage of customers who claim that Rabobank's advice meets their needs, an advice framework is being developed and plans are being prepared for all employees to obtain certification over the next few years.

A structural approach is also being taken to improve transparency, which customers feel has declined. In addition to complying with the statutory frameworks for transparent fees for a number of complex products, which came into force on 1 January 2013, ways to increase transparency for other products and provide advisers and account managers with better support when they advise clients are also being considered. At the same time, efforts are being made to improve and speed up the handling of banking affairs. In addition, investments are being made to expand online and mobile service options.

Broad range of services in the Netherlands

www.rabobank.nl, www.obvion.nl, www.frieslandbank.nl



Higher value adjustments and limited growth in lending

Tax increases and government spending cuts were implemented in the Netherlands in 2012. Consumers lost their confidence due, in part, to the rising unemployment rate. Producer confidence was low too, which put pressure on business investments. These developments affected earnings from domestic retail banking. Bad debt costs rose to EUR 1,329 million, which corresponds to 44 basis points of average lending. This is reflective of the fact that many customers are going through difficult times. As a cooperative bank, Rabobank is doing its utmost, where possible and appropriate, to help its customers to weather the economic storms.

The private sector loan portfolio rose by 4% to reach EUR 306.5 billion and the share of the savings market saw limited growth thanks, in particular, to the acquisition of Friesland Bank. Amounts due to customers were up 7% to EUR 213.9 billion. The shares of the wholesale and TIS markets were more or less stable. Rabobank's share of the mortgage market experienced a limited drop. Net profit from domestic retail banking was down 30%, falling to EUR 1,304 million, as a result of higher value adjustments and, to a lesser extent, lower margins on savings.

Strategy for domestic retail banking

Rabobank is a cooperative that puts the customer's interests first and treats customers fairly. Customers should be able to come to Rabobank for any mainstream financial products and services. With regard to the Netherlands, Rabobank has the ambition of being the market leader, which will put us in a strong position to offer customers product excellence. Modern distribution channels such as the Internet and mobile phone technology are increasingly important in our service provision. The local Rabobanks are trying to consolidate and shore up their position, particularly in the higher segments of the retail and wholesale markets, and in metropolitan areas. Treating our customers fairly is the main priority in our service provision.

Integration of Friesland Bank

The Friesland Bank operations were transferred to Rabobank Group early in 2012. The requirements of banks' financial buffers have become more stringent because of the financial crisis. As it was difficult for Friesland Bank to continue to meet these requirements, it opted to merge with Rabobank. Friesland Bank and Rabobank have the same cooperative roots; both banks value their local presence and seek to build long-term customer relationships. These similarities in client services facilitate the consolidation process. Where possible, Rabobank endeavours to provide services to Friesland Bank customers that are satisfactory to them. Except for continuing the service provision to customers, much attention is being directed at the Friesland Bank employees, all of whom should have been presented with a suitable offer by 1 April 2014. In this context, the unions agreed to the redundancy plan for Friesland Bank late in 2012.

Responsible banking

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

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

These themes are an extension of Rabobank Group's strategic policy and our central themes. Our performance is measured using sustainability performance indicators.

Targets	Actual 2012	Target 2012
Percentage of senior citizens who feel that Rabobank makes banking easy	78%	> 85%
Customer satisfaction score among customers with non-performing loans	7.2	7.1
Percentage of retail clients that feel that Rabobank treats its customers fairly	64%	70%
Percentage of clients that feel that Rabobank provides transparent and easy-to-understand information	73%	78%
Sustainable services: 10% reduction on 2011 in use of paper for client services via Rabobank Nederland	20%	10%

What is remarkable is that Rabobank's sustainability performance indicators for retail clients are on a downward trend in several respects. This may be due to the dent in the overall image of the financial sector in 2012, which affects Rabobank too. The reputation of the financial sector is under serious threat. Over the course of five years, the level of trust in banks in the Netherlands has plummeted from 72% to 40%. Rabobank still had the best image of all the large banks among retail clients in 2012.

The drop in customer satisfaction score was also attributable to our inward focus, which was due, in part, to new rules and regulations for Dutch banking services. This resulted in longer waiting periods for scheduling personal consultations with customers. Many local Rabobanks faced the following dilemma: the provision of good and efficient client services versus the accumulation of mandatory controls to make client papers meet every requirement. Rabobank started to tighten the parameters for mortgage advice in mid-2012, thereby clearly delineating the scope of the bank's advisory services and introducing a template for recording the customer's preferences and the related implications.

Key promises to Private Banking clients

Rabobank Private Banking's ambition for the next few years is to further tailor its services to the needs of its clients never losing sight of the more stringent requirements with regard to the duty of care and other rules and regulations. As part of this ambition, its products and services will decrease in complexity. As every customer has different needs and an increasing number of customers want to be able to take care of their financial business themselves via virtual channels, Rabobank asks customers what types of services would suit them best, from more self-reliance to an exclusive form of advisory services and focus on the top of the market. In view of this, a vision has been developed for the period 2012-2016 under the title *The power to bind* (Het vermogen om te binden). In this vision, the bank makes three promises to its customers:

- Your day-to-day banking runs smoothly and efficiently.
- You have financial peace of mind. We help you choose direction and make adjustments, and we come up with the right solutions.
- We support your socio-economic environment.

The degree of customer satisfaction of Rabobank Private Banking clients is monitored on a structural basis. The outcome is used as input for improvements in client services. For details on the key outcomes of this monitoring for 2012, the reader is referred to the section on Treating Customers Fairly.

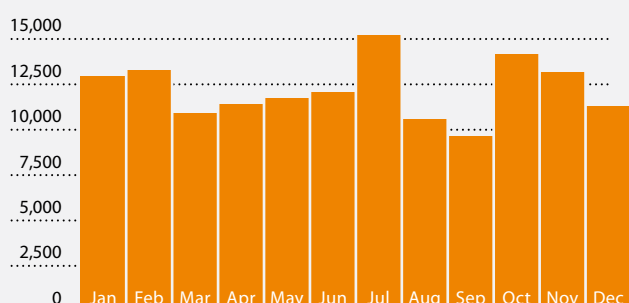
The fine-tuning of the investment framework serves as an example of the embedding of the principles of Treating Customers Fairly in our Private Banking policies. Investing is not so much an end in itself as a means to achieving the customer's financial goals.

The Rabo Asset Management Concept was further implemented in 2012. Using this concept, local Rabobanks team up with specialists of Schretlen & Co to offer a broad range of services to high net-worth individuals. Rabobank developed this concept to offer the products and services that this target group wants.

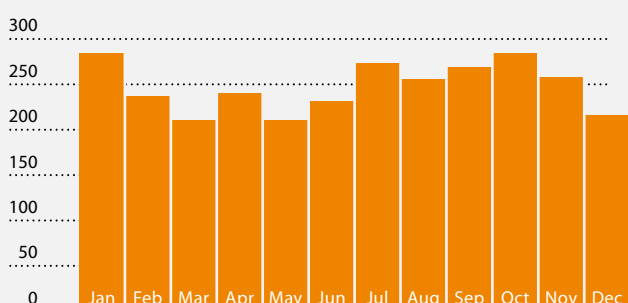
Integrated complaint management

Rabobank wants to know about complaints, customer perceptions and opportunities for service improvements. In the past few years, Rabobank did not know enough about how its customers perceived Rabobank's complaint handling and there was no organisation-wide overview of the number and nature of complaints. That is why, in 2012, Rabobank decided to change its complaint handling procedure. The crux of the new integrated complaint management policy is that Rabobank listens to complaints, resolves them and uses them to improve.

Number of complaints received by local Rabobanks (first line)



Number of complaints received by Rabobank Nederland (second line)



Most of the complaints that were filed to the local Rabobanks were about payment processing, malfunctioning of cash deposit machines, and interest, commission and/or fees for payment transactions. Complaints submitted to the Complaints Desk of Rabobank Nederland were mostly about disputed ATM withdrawals, credit cards and the registration of persons who have defrauded financial institutions in the past through deception, scams or money laundering.

Share of mortgage market



Mortgages

Situation on the housing market

The number of housing transactions in the Netherlands continued to drop in 2012 and average selling prices of existing residential properties were down too. More and more vendors could not lower the selling price of their house without incurring a residual debt. In addition, the economic situation and the uncertainty about mortgage interest relief made people wanting to move up the housing ladder as well as first-time buyers hesitant about moving house. Although the Dutch Cabinet's plans and measures for the housing market will bring some degree of reform of the housing market in the long run, they may trigger a further drop in

house prices in 2013. Government budget cuts will weigh down purchasing power on the one hand, and the mortgage repayment requirement that was introduced on 1 January 2013 will result in higher monthly expenses and a lower borrowing capacity on the other. Many customers acted ahead of the new rules and decided to quickly take out a new mortgage loan at the old conditions. As a result, some local Rabobanks saw the number of mortgage loan applications double in the last few months of 2012.

Rabobank Group's share of the mortgage market fell to a limited extent in 2012, dropping to 31.1% (31.7%). The market share of the local Rabobanks was down 3.4 percentage points to 22.8%, while Obvion's share of the market increased by 2.3 percentage points to 7.8%. Friesland Bank's share of the market stood at 0.5%.

Transparency in fees and charges

New rules have been in force since 1 January 2013 for advisory services relating to complex financial products such as mortgages, occupational disability insurance, life insurance and pension-related products such as bank savings, and individual and group pensions. All financial institutions are required to educate customers in advance about their service fees and about what these fees cover. The earlier practice was that fees for advisory services and purchasing a product were settled through commission or interest. Rabobank is in favour of the new rule because now customers know exactly what fees they pay for advice on complex financial products. Rabobank published its charges in the autumn of 2012. The idea behind the charges is that customers should have easy access to Rabobank services. Rabobank chose initially not to charge any fees unless a customer actually purchased a product after a personal consultation. In dialogue with the Netherlands Authority for the Financial Markets (AFM), Rabobank decided in February 2013 to change the fee structure for taking out mortgages, among other products, as of 30 June 2013 by introducing separate orientation, advisory and completion stages. This means that customers always pay a fee for advisory services, even if they do not purchase any products. The basic principle is still the same: easy access to advisory services on complex products.

Rabobank uses savings deposits to fund a large number of home mortgage loans. For a worked example of the interest rate structure for Rabobank mortgage loans, reference is made to the website (www.rabobank.nl).

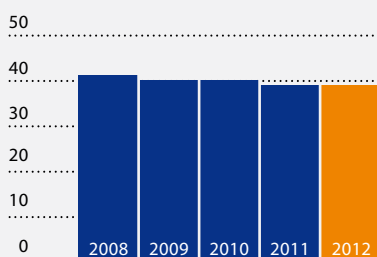
Retail clients in financial difficulties

Rabobank wants to be a lifelong personal and financial partner to its customers, for better and for worse. 2012 saw another increase in the number of individuals who found themselves in financial difficulties. Of Rabobank's 1.1 million local mortgage customers, 0.5% could no longer pay their bills. The issue is resolved in 87% of cases, which means that these customers can continue to live in their homes. Unfortunately, the remaining 13% of customers are forced to sell their homes. The foreclosure process is usually undertaken in dialogue between the bank and the customer. Foreclosure auctions are only undertaken in highly exceptional cases. As the leader in the mortgage market with a share of 23% held by the local Rabobanks, Rabobank was involved in just 9%¹² of all foreclosures in 2012.

Customers who default on their payment obligations to Rabobank usually have multiple financial problems. Some of them have no understanding of, or grip on, their finances. This makes it difficult for them to resolve their financial difficulties without help. These customers have access to a budget coach, who is an independent third party, to help them sort out their financial situation. Rabobank has offered a budget coach to its customers free of charge since 2012. Experience has shown that a budget coach is very effective in helping customers to manage their financial situation.

Share of savings market

in %



Savings

Most Dutch households own sizable assets, but most of them are tied up in their homes and pension rights. As a result, their buffer to absorb financial shocks in the short term is relatively small.

Consumers continued to lose confidence in 2012 due to the economic situation in the Netherlands. This prompted them to increase their savings. Amounts due to corporate customers also rose sharply in 2012. The Dutch savings market grew by 6% in 2012, reaching a volume of EUR 323.6 (306.1) billion. Rabobank Group's share of this market was 38.8% (38.7%). Of this share, 36.5% (37.3%) was attributable to the local Rabobanks, 1.2% (1.4%) to Robeco Direct and 1.1% to Friesland Bank. Domestic retail banking saw its amounts due to customers increase by 7%,

rising to EUR 213.9 (200.1) billion. Amounts due to customers are made up chiefly of savings deposits from private individuals; this category rose by 7%, reaching EUR 124.7 (116.8) billion.

Investment

Rabobank Private Banking responsible investment

Responsible investment is the norm in Rabobank Private Banking's investment services. In other words, generally and internationally accepted standards for environmental, social and governance practices form the guiding principles for investment. The ten principles for responsible investment of the United Nations Global Compact are key standards for Rabobank.

¹² This 9% is the figure for 2011.

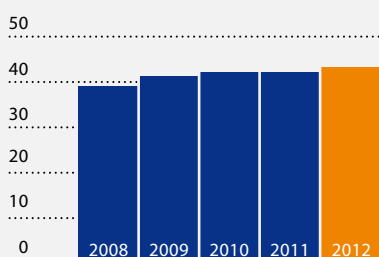
The Land Registry Office was unable to provide updated figures for 2012 at the time when this Annual Report was written.

Rabobank Group signed the Global Compact as early as in 2002 and Rabobank Private Banking uses them as a frame of reference in the investment process. What is more, Rabobank asks providers of investment funds to sign the UN Principles for Responsible Investment. By doing so, they undertake to focus on sustainability factors in the investment process and to call businesses in which they invest to account on their sustainability policy. Rabobank does not want any involvement whatsoever with funding corporations that manufacture or sell controversial weapons. Investments in such corporations are shunned and providers of investment funds are asked to define an exclusion policy in that respect. These procedures have been formalised in Rabobank's group-wide policy for the arms industry. For more information on the principles for responsible investment, please visit www.rabobank.nl/privatebanking/uw_situatie/uw_beleggingen/maatschappelijk_verantwoorde_beleggingen/ (in Dutch).

At year-end 2012, 79% (71%) of investment funds offered by Private Banking met all criteria of the principles for responsible investment; 19% (16%) met some of the criteria and 2% (13%) met none. Private Banking has initiated a dialogue with the funds that do not yet meet all the criteria in order to steer them in the right direction.

Share of TIS market

in %



Trade, industry and services

Stability in SME loans

Consumer spending was low in 2012 and growth in Dutch exports slowed down. Investments by the corporate sector were lagging. Many sectors have already had a difficult few years in which they were forced to eat into their financial buffers. Many businesses are shying away from large investments now that the crisis is more persistent than initially thought. Limited consumer spending in the Netherlands and disappointing exports also tended to take away the need for expansion investments. Rabobank Group's share of the trade, industry and services market was up 1% in 2012 to reach 43% (42%) thanks, in part, to the consolidation of Friesland Bank.

In the autumn of 2012, Rabobank presented its new vision for the SME market to a gathering of sector organisations and representatives of SMEs. The central theme of this vision is the capacity of businesses to respond early to change. Rabobank has a key role in selecting potentially successful propositions. Knowledge of the sector helps both the business owner and the bank to make the right choices. Because of Rabobank's financial stability, the bank is in a position to support businesses even when they are going through a rough patch.

Support for corporate clients in difficulties

Similar to previous years, the challenging economic times translated into an increase in non-performing loans. The Special Accounts department (Dutch acronym: BBR) has expert account managers who provide intensive support to customers facing problems with their business. Working closely with the customer and the local Rabobank in question, the BBR account manager prepares a plan to improve the performance of the business as well as the position of the bank. Because of the length of the economic crisis it is proving increasingly difficult to improve the financial position of these customers.

Teamwork and partnerships for businesses owners

Rabobank is involved in various partnerships to work with and for business owners. Some interesting examples for business start-ups are www.ikgastarten.nl, an online platform for start-ups, and The Next Entrepreneur, an initiative developed in cooperation with the Association of SMEs in the Netherlands (MKB Nederland), which welcomed no fewer than 3,600 entries in 2012.

By way of Qredits, a partnership between banks, Fonds Werken aan Wonen (a fund for housing issues), and the Dutch Ministries of Economic Affairs and Social Affairs, Rabobank helps business start-ups and existing businesses with fewer than five employees to get or keep going. Over 70 Rabobank employees have offered to volunteer for the Qredits coaching network. Nearly 40 of them have now been assigned a business owner so that they can start making an actual contribution to the success of this vulnerable group.

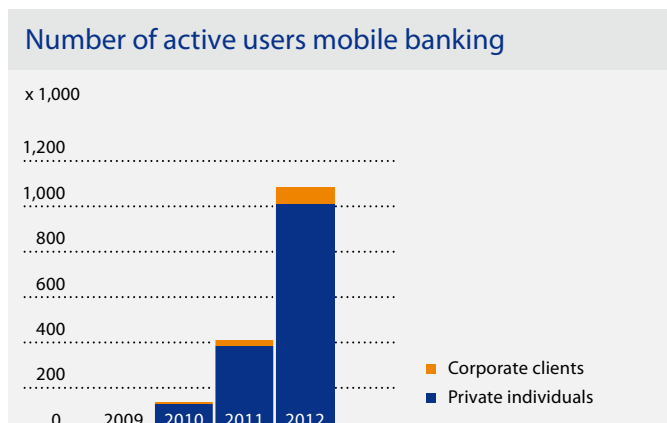
Rabobank participates in the Ondernemers Krediet Desk (business loan desk), an initiative of the Ministry of Economic Affairs, the Association of SMEs in the Netherlands, the Confederation of Netherlands Industry and Employers (VNO/NCW) and the Dutch Banking Association, to help

educate business owners about business loans. Rabobank also uses Ondernemersklankbord, a feedback platform for businesses, to provide information about guidance for start-ups, support for businesses and bankruptcy prevention. In Port4Growth, Rabobank has teamed up with a number of partners for fast-growing businesses. Port4Growth is a nation-wide network specialising in growth, for and by business owners.

Payment services

Surge in mobile banking

The number of customers using Rabobank mobile banking applications more than doubled in 2012 to reach over 1 million at year-end. Customers make use of mobile banking on a daily basis; corporate customers even use it several times a day. Mobile banking helps customers to better understand and control their finances. Its frequent use makes mobile banking one of the most important contact points with the customer. Rabobank plays a leading role in mobile payment solutions.



Rabobank took an equity interest of 80% in MyOrder in 2012. Rabobank invests in MyOrder because it links up retail and wholesale clients. The smartphone app can be used not only to pay for products and services, but also to order them. MyOrder is available in more than 4,000 locations, from shops, restaurants and bars to cinemas and parking meters. Payments are processed via MiniTix, iDEAL, credit card and PayPal. Now that Rabobank has invested in it, this app is ready for further development.

As consumers are increasingly making purchases online, the number of online payments is rising accordingly. More than 10 million payments per month are now being made using iDEAL. As a result, iDEAL is the most preferred payment tool by far. Especially for business owners who run an online shop, Rabobank introduced the Rabo OmniKassa, a single online till for all sales

channels, early in 2012. The one-stop-shop principle and its pricing were a success. There were 3,500 Rabo OmniKassa tills in operation at year-end 2012.

Safe online banking

Online and mobile banking have become part of life. As a result, the safety and security of systems and mobile equipment have grown increasingly important. There are many forms of crime that are committed using a computer or a network. This is referred to as cybercrime. Rabobank was also a target of cybercrime attacks in 2012. In 2012, several of our customers fell victim to phishing and sophisticated virus attacks. Rabobank investigates every report of fraud separately and compensates customers if they prove to have exercised due care. If they were careless, for instance by sharing their access and authorisation codes with others, the bank may decide not to compensate the damage.

In addition to the effects of cybercrime, Rabobank also suffered from technical malfunctions in 2012. These malfunctions affected the availability of online and mobile banking solutions. Rabobank has once again implemented additional prevention and detection measures over the past year to minimise the impact of increasing cybercrime and the chance of technical malfunctions.

Bank cards blocked outside Europe

Op 1 June 2012, Rabobank blocked a large number of bank cards for use outside Europe. This block was introduced to prevent losses due to skimming and to limit inconveniences for customers. Stolen bank cards are mostly used to withdraw money outside Europe. Customers can easily lift or reapply the standard block for one or more continents themselves via Rabo online banking or their local Rabobank. The block can also be lifted temporarily, for instance when costumers go on holiday. The block works: losses due to skimming have fallen by 77%.

Migration to SEPA

2013 is the year of the migration to a Single Euro Payments Area (SEPA). Starting from 1 February 2014, there will be no more differences between domestic and cross-border payments and collections in Europe. In addition, all existing bank account numbers will be switched to international IBAN numbers. All Rabobank customers will be migrated to SEPA in 2013. The impact will be minor for most of them as they will be migrated automatically and in stages. In 2012, Rabobank focused mainly on customer groups who will be relatively heavily

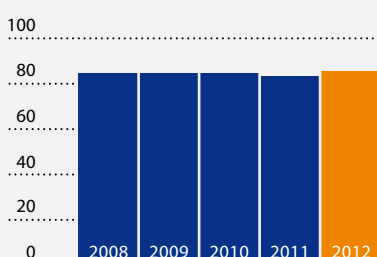
affected by the transition to SEPA. Rabobank has chosen to act as a partner to this group of customers by offering support through migration consultants, a Referral Partner Programme and RABO SEPA Services, including testing assistance.

Improvements in ICM proposition

To meet the needs of our corporate clients, Rabobank is developing a cohesive range of international cash management (ICM) services, which transnational businesses can use to streamline their cash flows and working capital, and so to strengthen their competitive position. Rabobank made a successful start in 2012 on developing its ICM offering. A number of new features will become available in 2013. Irrespective of where their account is based, customers will be able to automatically concentrate their cash in the Netherlands, and they can view and control an increasing number of accounts outside the country. The Rabobank International branches in Poland (i.e. Bank BGZ and Rabobank Polska) and the United States (RNA) were successfully hooked up to Rabobank Cash Management. Customers can now make use of local cash management services while managing their accounts from a central location.

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 knowledge centre for the agricultural sector. Our share of the food and agri market stood at 85% (83%) in 2012. Rabobank makes investments for its clients in vision and knowledge development in the food and agribusiness. These investments have been transposed into a number of key themes: sustainability, globalisation, market, society, innovation and health.

The greenhouse horticulture sector was again put to the test in 2012. The fragile recovery as a result of better pricing was not always enough to balance the books.

Rabobank participated in the public debate about agriculture and horticulture at various levels in 2012 and will continue to do so in 2013. Two studies about poultry farming were published in 2012 by the names of 'Draagvlak voor succes' (Grounds for success) and 'Markt van de leg' (Market upset), which are designed to help poultry farmers define their strategies. Rabobank actively supported the government programme for more sustainable livestock farming (Uitvoeringsagenda duurzame veehouderij). 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 2013 too.

Floriade World Horticultural Expo 2012

As a founder of the Floriade World Horticultural Expo, Rabobank was closely involved in the 2012 edition, which attracted more than two million visitors. At the Expo, Rabobank treated its members and customers to a hospitality programme, bespoke facilities, a member programme, the Rabo Floriade Kids Experience and the Rabo Earthwalk pavilion.

At the large, two-day opening conference, Rabobank presented a study on flexible growth ('Floreren met flexibiliteit'). During the event, Rabobank organised a host of workshops and meetings, not only for agricultural target groups, but also for businesses with international ambitions, private banking clients, hotel and restaurant owners and healthcare businesses. Together with the Worldwide Fund for Nature, Rabobank put together a programme for families of customers. Eight member council meetings were held, which were attended by delegates of 24 local Rabobanks in total.

The Floriade Kids programme was developed especially for primary schools. The programme offered curriculum about horticulture and nature, a website, mascots and an educational school trip to the Expo in 2012. In total, 326 primary schools from across the country took up a local Rabobank's invitation to visit the Rabo Floriade Kids Experience, which brought more than 13,000 children and 1,700 accompanying adults to the grounds.

Rabo Earthwalk, the Rabobank pavilion at the Expo, introduced visitors to Rabobank as a leading player in the global food and agri sector. The spectacular film projected from the glass floor and ten sustainable, innovative businesses (glocalizers) guaranteed a unique experience. Rabo Earthwalk welcomed nearly 700,000 visitors who rated it an eight on a scale of one to ten.

Rabo Green Bank

Rabo Green Bank reopened its doors on 1 October. Because the Dutch government had cut some of the tax credit for green investments in 2010, Rabo Green Bank was forced to cease its financing activities and no more green loans were offered after October 2010. Rabobank wants to promote access to affordable green finance for innovative green projects and, after the tax credit was repaired, again started to provide new green loans. Green finance can be used for investments that clearly benefit the environment or nature and that have been awarded a government-issued green certificate. Nearly 70,000 deposit holders and investors use Rabo Green Bank to invest in 1,800 government-certified green projects.

Insurance

Corporate pensions

Rabobank established an Institution for Occupational Retirement Provision (IORP) in collaboration with PGGM, a leading Dutch pension administrator. In partnership with PGGM, the IORP will offer a group pension plan to Rabobank customers by the name of Rabo Bedrijven-Pensioen. The plan is designed specifically for employers that do not provide a pension to their employees through a sector-wide, occupational or corporate pension fund. The IORP invests the pension contributions in funds that responsibly scale down investment risks as the pensionable date draws nearer. With effect from 2013, most of the local Rabobanks will channel their pension advisory services through the pension specialists of Rabo BedrijvenPensioen.

Insurance at local level: Interpolis

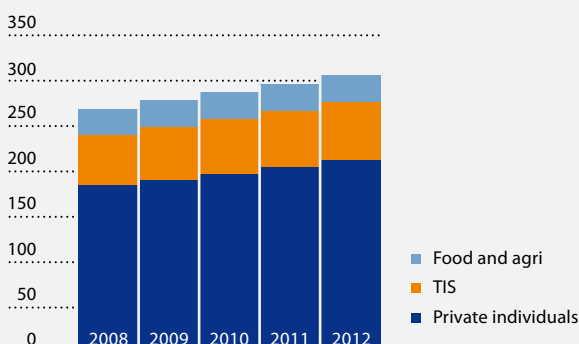
Rabobank is the largest insurance broker in the Netherlands. Insurance commissions at the local Rabobanks amounted to EUR 312 (308) million. Income from non-life insurance fell to EUR 296 (308) million and income from life insurance rose to EUR 16 (0) million. Rabobank has a 29% equity interest in Achmea, the largest insurance group in the Netherlands. Over 80% of all insurance policies for which Rabobank acts as a broker are offered by Interpolis, an Achmea division.

Rabobank offers the Interpolis Alles in één Polis (All in one policy) to private individuals who are looking for a comprehensive insurance package. Rabobank advisers can provide private customers with broad advice on all matters financial, including insurance. The number of Alles in één Polis policies dropped to 1,313,000 (1,320,000) in 2012. 57% (58%) of policyholders have taken out three or more types of cover under this policy. At the local Rabobanks, about 19% of private customers hold an Alles in één Polis policy. Interpolis also offers health insurance under the Interpolis ZorgActief label, which is one of the fastest-growing health insurance policies in the Netherlands. The number of ZorgActief Polis policies sold via Rabobank increased by 13% to reach 225,000 (199,000) in 2012.

Rabobank also works in close collaboration with Interpolis when it comes to business insurance. Corporate clients can choose from such non-life policies as the ZekerVanJeZaak Polis policy or the Bedrijven Compact Polis policy. Approximately 28% of corporate clients have taken out Bedrijven Compact Polis or ZekerVanJeZaak Polis policies, which makes insurance an integral part of Rabobank's service offering. The number of ZekerVanJeZaak Polis policies sold rose further to reach 55,000 (44,000) in 2012. Interpolis ZekerVanJeZaak Polis policy holders are required to check, update and confirm a number of insurance-related details annually so that they are guaranteed not to be underinsured. This process is supported by a new online banking functionality.

Loan portfolio by sector

in billions of euros



Limited growth in lending

The Dutch economy showed more or less zero growth in 2012. Exports were being weighed down because of government budget cuts in neighbouring countries. The lack of consumer and business confidence due to uncertainty about the European debt crisis caused investments and spending to be put on hold. These developments affected lending in the domestic retail banking division. Although the local Rabobanks issued fewer loans to private individuals as well as to businesses than in 2011, lending grew nevertheless thanks, in part, to the consolidation of Friesland Bank. Private sector lending at domestic retail banking increased by 4% in 2012, rising to EUR 306.5 (295.8) billion. 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 2012 to EUR 212.4 (203.9) billion, loans to the TIS sector were up 2%, reaching EUR 63.9 (62.8) billion, and loans to the food and agri sector showed a 2% increase, landing at EUR 29.6 (29.1) billion.

Financial results of domestic retail banking

Results			
in millions of euros	2012	2011	Change
Interest	5,180	5,218	-1%
Fees and commission	1,344	1,357	-1%
Other results	765	366	
Total income	7,289	6,941	5%
Staff costs	2,454	2,258	9%
Other administrative expenses	1,755	1,609	9%
Depreciation	151	119	27%
Operating expenses	4,360	3,986	9%
Gross result	2,929	2,955	-1%
Value adjustments	1,329	648	
Bank tax expense	91	0	
Operating profit before taxation	1,509	2,307	-35%
Taxation	205	454	-55%
Net profit	1,304	1,853	-30%
Bad debt costs (in basis points)	44	22	
Ratios			
Efficiency ratio	59.8%	57.4%	
RAROC	16.3%	24.0%	
Balance sheet (in billions of euros)			
	31-Dec-12	31-Dec-11	
Total assets	386.1	373.0	4%
Private sector loan portfolio	306.5	295.8	4%
Amounts due to customers	213.9	200.1	7%
Capital requirements (in billions of euros)			
Regulatory capital	6.3	6.4	-2%
Economic capital	9.1	7.2	26%
Number of employees (in FTEs)	28,668	27,272	5%

Notes to financial results of domestic retail banking

Income up 5%

At 5%, the increase in total income from domestic retail banking was limited, rising to EUR 7,289 (6,941) billion in the year under review. Despite growth in lending, interest income from domestic retail banking was down 1% in 2012 to EUR 5,180 (5,218) million, which was due in particular to lower margins on saving deposits. Commission fell by 1%, dropping to EUR 1,344 (1,357) million, because of fewer loans being issued and lower securities commission. Other income, which rose by EUR 399 million to EUR 765 (366) million, is made up primarily of dividends payable by Rabobank Nederland to the local Rabobanks. Besides an increase in dividends, other income was up also because of higher earnings from cash management.

Operating expenses up 9%

Total operating expenses at domestic retail banking were up 9% in 2012, rising to EUR 4,360 (3,986) million. A factor contributing to the 9% increase in staff costs to EUR 2,454 (2,258) million was the rise in headcount compared with 2011, particularly in terms of outside staff. The upswing in staff costs was also attributable to the addition of the Friesland Bank employees. Other administrative expenses were up 9% to EUR 1,755 (1,609) million due mainly to the acquisition of Friesland Bank. Depreciation and amortisation rose to EUR 151 (119) million because of higher amortisation charges of software and intangibles.

Bad debt costs at 44 basis points

The continually weak economy led to further increases in value adjustments in 2012. In the food and agri sector, loan losses are being incurred mostly in greenhouse horticulture. In the TIS sector, businesses reliant on domestic spending in particular suffer the consequences of low consumer and business demand. Low investment levels are causing problems in the building contracting and real estate-related sectors. The sea and coastal shipping sector is also being hit. Value adjustments at domestic retail banking rose to EUR 1,329 (648) million in 2012. At 44 (22) basis points of average lending, bad debt costs were significantly above the long-term average of 13 basis points. Of lending, 69% is comprised of home mortgage loans. Bad debt costs on residential mortgage loans stood at 6 (3) basis points, this increase is in line with the developments in the housing market.

Regulatory capital down 2%

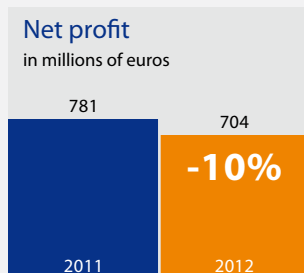
In calculating the capital requirement, risks associated with loans to retail clients are estimated using internal rating and risk models. The capital requirement for the domestic retail banking division saw a drop in 2012 on year-end 2011 to EUR 6.3 (6.4) billion. Portfolio movements and changes in risk assumptions more than outweighed the consolidation of Friesland Bank. Economic capital, i.e. the internal capital requirement, rose to EUR 9.1 (7.2) billion. This increase was fully attributable to the introduction of a new interest rate risk calculation model.

Outlook for domestic retail banking

The Dutch economy is not expected to grow much in 2013. Government spending cuts and measures to regulate the housing market will weigh down the borrowing capacity of consumers. Although business investments in professional services and the industrial sector will rise slightly, the total volume will be below the pre-crisis level. All in all, this will result in limited growth in lending. Amounts due to customers are expected to show further rises, but margins will stay low. Earnings from domestic retail banking will come under stress due to a combination of limited asset growth, ongoing pressure on margins on savings deposits, lower commission income and the bank tax. This underlines the need for soberness and cost control.

Leading food and agri bank at international level

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Robust earnings despite challenging market

In spite of the poor economic climate, Rabobank Group's wholesale banking and international rural and retail banking division had a good year in 2012. Total loan portfolio was up 1% to EUR 107.5 billion, with a further increase in the share of food and agri. Net profit amounted to EUR 704 million, of which EUR 80 million was attributable to the sale of the remaining equity interest in Indian-based Yes Bank. Although bad debt costs were lower than in 2011, at 59 basis points of average lending, they were still above the long-term average of 54.

Rabobank International increased its equity interest in Bank BGZ, a Polish retail bank, by 38 percentage points in 2012; it now holds 98% of the shares. In addition, it was decided to phase out the Rabobank office in Tokyo and to explore the strategic options for Rabobank Indonesia.

Being recognised globally as the leading food and agri bank, Rabobank achieved significant growth in 2012 in key markets such as Brazil. Germany was added as a market in which Rabobank undertakes online banking activities thanks, in part, to which overall customer savings deposits held by International Direct Banking grew by 48% to EUR 24.2 billion. With this, Rabobank International contributed greatly to the broadening of the funding base at group level. As part of its international activities, Rabo Development helps local communities in developing and other countries to create better access to financial services. In the Netherlands, Rabobank maintained its position as wholesale market leader, which was achieved in 2011. In the wholesale division, the year 2012 was also characterised by preparations for the integration of the wholesale activities of Friesland Bank, which are expected to be transferred in 2013.

Strategy for Rabobank International

Rabobank International focuses on both Dutch and international customers in the food and agribusiness, and offers these customer groups professional products and services.

The two priorities of Rabobank International's strategy are:

1. achieving market leadership in the Netherlands;
2. playing a leading role in the global food and agribusiness;

A certain level of scale is needed to guarantee the best possible cost price and the highest possible quality of these products. This specialist knowledge and these efficiencies of scale are leveraged for a broader group of customers.

1. Market leadership in the Netherlands

In the Netherlands, Rabobank International focuses on all market sectors; domestically, it is a broad service provider whose objective it is to serve Dutch wholesale clients as best and locally based as possible. Customers with revenues below EUR 250 million are looked after by local Rabobanks; they can call in the assistance of Rabobank International Wholesale's regional teams where needed. Rabobank International serves the top players in the Dutch wholesale market itself from a central location. The Large Corporates department, which is responsible for providing these services, reshuffled its organisational structure in 2012 into

clusters of customers operating in the same sector, the advantage being that the specialists of the Client Service Teams are quicker to share sector-specific knowledge, thereby creating more focus on the provision of customer services at strategic level. The goal is to achieve excellence in customer solutions created in unison with all divisions of Rabobank Group. Important deals in the top segment in 2012 included the financing of, and advice provided in, the acquisition of C1000 by Jumbo supermarkets and the restructuring of Stork/Fokker. In addition, Rabobank International helped Ziggo and DE Master Blenders 1753 prepare for their respective IPOs. Total income from Large Corporate clients was as expected in 2012. The loan portfolio continued to show sustained growth, which makes it a key driver of income. There are fewer strategic transactions, including mergers and acquisitions, and capital market transactions, and this market is characterised by harsh competition. Commission income on these products lagged behind as a result despite a further improvement in market position.

Rabobank also wants to be the go-to bank for wholesale clients of the local Rabobanks. Some of the products and services that these customers purchase are offered locally and others, including risk management products (such as currency derivatives) and capital market products (such as share and bond issues), are offered by Rabobank International. Rembrandt Fusies & Overnames is there to help customers of local Rabobanks in their mergers and acquisitions. Mergers and acquisitions that are of greater scale and complexity are handled by a centrally operating team within Rabobank International.

Rabobank International also offers a broad range of research services as well as assistance to Rabobank customers in their transnational operations via International Services. These services are available in an increasing number of countries, including Brazil, India and the United States. These services will again be stepped up in 2013. International Services also focuses specifically on foreign businesses that want to create a presence in the Netherlands.

2. Leading role in global food and agribusiness

International wholesale banking

Rabobank has been active in the food and agribusiness for many years. The knowledge of this sector is more or less engrained in our DNA. On an international level, Rabobank utilises its specialist knowledge of the food and agribusiness to create value for the customer and the bank. Rabobank shares its in-depth knowledge of the supply chain with customers by having account managers and Food and Agri Research (FAR) engage in close cooperation. Combined with an extensive network and a broad banking service offering, this makes Rabobank the global leader in financial services for businesses in the food and agri sector.

Rabobank facilitates the strategic dialogue with the top segment of the global food and agribusiness by actively utilising knowledge of food and agri for the benefit of customers. The strategic dialogue is fed by sharing the latest developments in the market and the presence of a clear vision of the future of the industry. Seven specific food and agri sectors have been defined to channel this knowledge and vision. Each of these sectors is managed by a Global Sector Head who works in close collaboration with representatives of Mergers & Acquisitions and Food and Agri Research. The sectors encompass different product groups.

Client Service Teams, which operate at customer level, are made up of an account manager, product specialists, a FAR specialist and, where appropriate, an M&A expert. This is how the knowledge of the market, sector, products and customer is brought together to create service excellence. The focus on food and agri sectors and customers has led to a better strategic dialogue with customers, culminating in an increase in the number of large customers, more than 40 new customers and further growth of the food and agri portfolio.

In order to provide the best possible service to customers, Rabobank International has forged partnerships with Rothschild for mergers and acquisitions, and with Jefferies for the issue of bonds. An important transaction in 2012 was the cross-border merger between Milklink and Arla Foods, two dairy cooperatives. Rabobank was a valued advisor in this merger between the UK's leading dairy company and one of the largest dairy companies in Denmark. Rabobank also played a prominent role in the refinancing of Burger King. Another special transaction in 2012 was the just-in-time facility and a structured inventory product (SIP), an innovative solution for optimising working capital, for Barry Callebaut.

Brazil is one of the large, fast-growing food and agri markets where Rabobank is seeking expansion. An agency desk for syndicated loans will be opened in São Paulo to make sure that growth is sustainable. The agency desk will serve to further structure solutions for the growing demand for these types of loans while centralising the related administrative duties.

International rural and retail banking

Our international rural and retail banking division focuses on funding agricultural businesses and on community banking. The loan portfolio of the rural and retail banking division grew by 8% to reach EUR 38.6 (35.8) billion. These loans accounted for 36% (34%) of Rabobank International's total lending. Most of these rural and retail loans were issued to customers in Australia and New Zealand, where Rabobank has had a strong presence for years. This portfolio grew by 6%, reaching EUR 15.9 (14.9) billion. In the United States, the Rabobank N.A. community bank provides services to both agricultural and retail customers, with Rabo AgriFinance focusing exclusively on the agri segment. The growth in the agricultural sector in these areas contributed to the 11% increase in the portfolio in the Americas to EUR 13.1 (11.8) billion.

Rabobank made a bid for all outstanding shares in Bank BGZ, a Polish retail bank, in 2012. The purpose of the bid was to acquire at least 75% of the shares. After completion of the bid, Rabobank's equity interest in the bank rose from 60% to 98%, which implies that Rabobank now has full control of Bank BGZ. Rabobank plans for Bank BGZ to grow, particularly in loans to agricultural businesses and the food industry. Bank BGZ's loan portfolio saw a 22% increase in 2012, rising to EUR 6.6 (5.4) billion.

The economic situation in Ireland continued to be cause for concern. Many customers suffered the consequences of tax hikes, government cuts and a weak property market. Rabobank was forced to form additional allowances as a result. ACC Bank's retail portfolio stood at EUR 3.1 (3.7) billion.

RaboDirect more important as a funding base

Rabobank opened RaboDirect Germany, its sixth foreign online bank, in 2012. A bank's security and reliability are decisive success factors in the German market. Rabobank wants to stand out in this market for its cooperative background and its robust financial position. The German savings market is a logical step in the growth plans of RaboDirect. RaboDirect Germany attracted 83,000 customers who raised EUR 2.8 billion in savings deposits in just six months' time. Polish online bank BGZ Optima has shown steady growth since it first opened for business in 2011 and Rabobank's largest and first online bank in Belgium also turned in considerably higher earnings. Its savings deposits rose by more than 36% in 2012, the year in which it celebrated its tenth anniversary. Overall, the foreign online banks held EUR 24.2 (16.4) billion in savings deposits at year-end 2012. The total number of International Direct Banking customers was up 42% in 2012, rising to 670,000 (472,000).

Savings deposits from the RaboDirect activities are used to fund loans issued by the international rural and retail banking business and for other divisions of Rabobank Group. In keeping with the Strategic Framework 2013-2016, Rabobank wants to broaden its funding base by attracting savings deposits from Dutch as well as foreign customers. This will make the bank less reliant on external funding. As the RaboDirect savings deposits now account for about 16% (12%) of savings deposits at group level, they make a valuable contribution to the broadening of the funding base.

Global Financial Markets, Corporate Finance and Trade & Commodity Finance

Trade & Commodity Finance (TCF) provides services to customers in the international trade in physical commodities. It leverages its knowledge of the commodities market and the related financial products to the benefit of Dutch customers and international food and agri customers, and to that of customers operating in the energy and metal sectors. TCF again experienced growth in 2012 thanks to relatively high commodity prices and the diminished activity of some other banks. TCF has a leading position in global trade finance in the agricultural segment. Both the quality and the quantity of TCF's portfolio have improved over recent years. In addition, Rabobank was recognised as a major player in international trade finance by being elected as the 'Best Soft Commodities Bank' by the readers of Euromoney, a trade finance magazine.

GFM offers customers a wide range of global financial market products, some of which are aimed at improving its customers' risk management systems. GFM also assists businesses that want to raise their own funding on the financial markets. Equity Capital Markets advises businesses and helps them to improve their equity position, and Client Structured Products offers customer-focused investment solutions to private banks and other financial institutions. GFM also plays an important role in Rabobank Group's balance sheet management.

The Corporate Finance department made a particular success of its increased strategic focus on the service provision to wholesale food and agri customers.

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. Rabo Capital and Friesland Bank Investments were merged on 1 December 2012. The new combination has the ambition to strengthen its position by acquiring interests in sustainably growing Dutch companies. Despite the fact that the current economic climate offers only limited scope for selling equities, 2012 still saw the successful completion of a number of transactions.

Network optimisation

Rabobank International's network is continually being optimised. In this context, the remaining equity interest in Indian-based Yes Bank was sold in 2012. The gain on the sale of these shares amounted to EUR 80 million in 2012. It was also decided, at year-end 2012, to close Rabobank's branch office in Tokyo and to replace it by a representative office to provide support to key investors and clients that want to do business in Japan. In addition, the strategic options for Rabobank International Indonesia are being explored. Rabobank International is also looking at securing a banking licence in Turkey and plans are being prepared to open a wholesale branch in Africa in 2013 to improve our service provision to international food and agri customers on that continent.

Sustainability initiatives

Sustainability is more and more becoming an integral part of Rabobank International's core business. While, in the past, focus was mostly on risk management issues, it has now increasingly shifted to supporting customers and supply chains in their transformation to more sustainable production methods. To demonstrate how sustainability in customer relations enhances sales opportunities, performance management targets were formulated aimed at communicating transactions involving sustainability. In 2012, 14 messages about sustainability transactions (not including renewable energy projects) were actively communicated within the organisation.

Global Financial Markets (GFM) is in the process of gradually integrating sustainability into its core business. Sustainability information was included in the documentation for investors in several IPOs in the capital market. In addition, Equity Research published a sustainability special. Finally, an equity investor conference took place around the theme of sustainability.

The partnership between Rabobank and Neumann, one of the world's largest coffee traders, is a good example of how sustainability and sales targets can be combined. Neumann is a customer of Rabobank International. Coffee is often produced by small farmers with limited access to the latest agricultural technology. As a result, their productivity is low, the quality of their products is poor and they themselves usually live in poverty. In 2012, the Hans R. Neumann Foundation, the Tanzanian National Microfinance Bank Foundation and the Rabobank Foundation launched a three-year project designed to improve the income position of 12,000 farmers in southern Tanzania. The project focuses mainly on improving production methods, strengthening farming cooperatives and professionalising marketing methods. The project is expected to result in a considerable increase in the productivity and income of the farmers in question.

Another illustrative example of results achieved in collaboration with partners in the chain is the Better Cotton Fast Track Programme. This programme, which was established in 2010, is a partnership between different market players, the Sustainable Trade Initiative and Rabobank. The programme is meant to make cotton production more sustainable. In 2011-2012, the programme ran 23 projects across the globe, training 117,000 farmers who produced over 200,000 tonnes of sustainable cotton. These farmers were able to save on purchasing, which helped to increase their income and improved their living conditions. The use of pesticides has now also been significantly reduced.

For some years now, wholesale clients have been assessed for sustainability aspects, making allowance for the sector in which they operate and their local context. The outcome of this assessment is considered in every loan application. Sustainability is now an integral part of the lending process as a result. In 2012, there was again much emphasis on the sustainability rating of customers. The goal to have a complete and up-to-date rating for 95% of all wholesale clients of Rabobank International has been reached.

The internal network of sustainability coordinators and specialists was strengthened further in 2012. Close cooperation between sustainability coordinators and sales is vital to the further integration of sustainability into the operations of Rabobank International. In 2012, staff from

various disciplines received training, and workshops and webinars were organised to promote this integration. In addition, Rabobank International started to develop an e-learning module about sustainability for all its employees. Such an e-learning module was already available for Dutch-speaking employees. The global e-learning module is designed to increase general knowledge about sustainability within Rabobank. It will become available worldwide in 2013.

Financing renewable energy

Rabobank International's strategy has two areas of focus: the food and agribusiness, and international renewable energy finance. Rabobank managed to continue to grow its renewable energy segment in 2012, not only in Western Europe, but in the US and Canada in particular. Rabobank played a leading role in arranging for, and participating in, project finance for several onshore wind, offshore wind and solar projects. Rabobank was one of the banks, for instance, that funded the Northwind Project, a wind farm off the coast of Zeebrugge, Belgium. The total investment involved was approximately EUR 850 million. The wind park will produce 216 megawatts of wind power capacity.

Renewable Energy & Infrastructure Finance (REIF) is Rabobank International's project finance division. Its key services are advising on, structuring and financing client projects. These projects are governed by the Equator Principles (for more details, see the section on the Equator Principles below). The projects apply 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.

Equator Principles

Rabobank first began to apply the Equator Principles to project finance starting at USD 10 million in 2003. Rabobank has policies and procedures in place to guarantee that all transactions are assessed for the Equator Principles. 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).

Of Rabobank's project finance portfolio, 84% (85%) are renewable energy projects and 88% (96%) of projects involve loans in rich OECD countries.

13 The table shows the project classification based on loans initially granted. It does not show classification based on assessments made.

Project classification using Equator Principles¹³

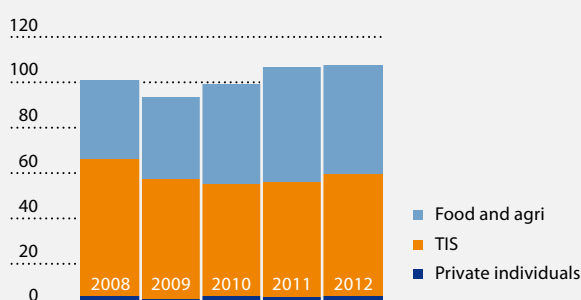
	2012	2011	2010	2009	2008	2007
A	0	0	0	0	0	0
B	19	17	13	11	9	11
C	6	10	11	2	7	0
<i>Total</i>	<i>25</i>	<i>27</i>	<i>24</i>	<i>13</i>	<i>16</i>	<i>11</i>

Increase in share of food and agri in lending

Total private sector lending at Rabobank International increased by 1% in 2012, rising to EUR 107.5 (106.6) billion. Loans to Dutch businesses saw a 10% increase to EUR 14.8 (13.5) billion. Loans to the food and agri sector grew by 6% to EUR 54.0 (50.9) billion, which

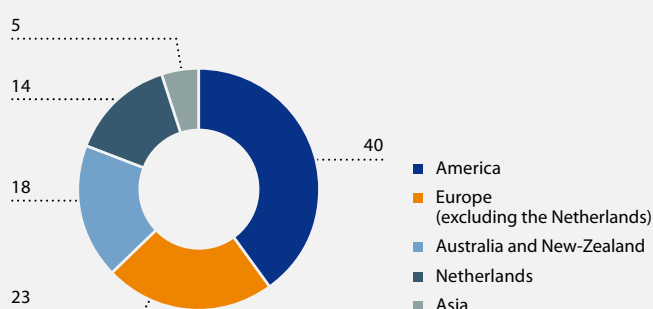
Loan portfolio by sector

in billions of euros



Loan portfolio by region

at year-end 2012, in %



accounted for 50.2% (47.7%) of total lending. Loans to the TIS sector fell by 5% to EUR 48.2 (50.6) billion. The economic slowdown was felt strongly in the industrial sector and the wholesale industry. Loans to private individuals stood at EUR 5.4 (5.2) billion.

Rabo Development: reaching the unbanked

Rabo Development's mission is to provide developing societies with improved access to financial services, employing cooperative principles and banking expertise. To achieve its mission, Rabo Development is creating an extensive network of partner banks, which provide access to financial services to a growing customer base, and are specifically equipped to finance agriculture. These partners serve clients in all market segments, from for instance individual farmers to small and medium-sized enterprises. Rabo Development offers three types of development support: capital, management services and technical assistance. Strategic alliances are formed with partners in Brazil, China, Mozambique, Paraguay, Rwanda, Tanzania and Zambia, providing capital for the long term. The approach is to collaborate as a minority shareholder and engaged board member, rather than acting as a controlling majority shareholder. By holding a minority interest, the partners benefit from Rabobank insights while remaining domestically owned.

14 Numbers of Banco Cooperativo Sicrodi are based on the total cooperative system.

Bank	Country	Equity interest (in %)	Outlets	Employees	Customers (x 1,000)
National Microfinance Bank	Tanzania	35	147	2,777	1,525
United Rural Cooperative Bank of Hangzhou	China	9	141	1,976	1,720
Zambia National Commercial Bank	Zambia	46	123	1,220	636
Banco Terra	Mozambique	49	9	158	26
Banco Regional	Paraguay	40	38	686	68
Banque Populaire du Rwanda	Rwanda	35	189	1,455	1,486
Banco Cooperativo Sicrodi ¹⁴	Brazil	26	1,208	15,098	2,265
<i>Total</i>			<i>1,855</i>	<i>23,370</i>	<i>7,726</i>

Access to finance for millions of customers

In 2012, Rabo Development has been approached by various financial institutions in upcoming markets, ranging from Latin-America to Africa and Asia, for its specific know-how on building sustainable financial institutions and agrifinance. This has led to a number of new advisory projects. Together with the International Finance Corporation (IFC), a consultancy project has started to restructure the State Cooperative Bank, one of the leading financial institutions in the state Andhra Pradesh in India. At the same time, Rabo Development has continued its support to its partner banks. Overall, these banks have been able to strengthen their position in respective markets. The trend of increasing information and commercial exchange between partners continues, now also linking to Rabobank International's Rural & Retail activities. The cooperation between Rabo Development and the Ministry of Foreign Affairs of the Netherlands Government, in its efforts to promote financial inclusion and food security, has been sealed by a mutual secondment of senior staff.

Active role in enhancing the sustainability of food and agri value chains

Rabo Development continued its active role in enhancing the sustainability of food and agri value chains. In Rwanda, the intensive technical assistance program funded by World Bank for BPR was extended to various sectors such as beans, maize, dairy and horticulture. Experts from Rabobank International Trade & Commodity Finance, Credit Risk Management, Legal Affairs and Rabobank Westland played an active role in improving the agri knowledge and credit framework of BPR. Together with the World Food Program (WFP), another project has started with BPR to train 60 maize/bean cooperatives that supply to WFP. At least 20 cooperatives will be selected for an intensive capacity building program providing raw material collection financing through BPR under an off-take agreement with WFP. This project is co-sponsored by Rabobank Foundation and WFP.

In Tanzania, Rabo Development - in a partnership with Rabobank Maas & Waal - supported NMB in developing a financing model for emerging farmers in the seed, beans, rice and dairy sector. In Mozambique, a twinning program was launched between Banco Terra and Rabobank Brazil to improve the credit & monitoring cycle in farmer financing.

In Ivory Coast the support for cooperatives is mainly linked to customers in the cocoa sector of Rabobank International. Cooperatives in the cocoa sector supplying their cocoa to a major client of Rabobank International, ECOM Agroindustrial, are supported through training and advice. In September 2012, a similar project started for a partnership between three other major international customers in the cocoa processing industry, Delfi, Blommer and Cemoi. In this case Rabo Development supports cooperatives in fermenting cocoa beans, for better quality and a better price in the sale results. Both projects with ECOM and PACTS are sponsored by Rabobank Foundation.

New investment WAAD and capital injection for Banco Terra

In the first half year of 2012, Rabo Development announced a new investment in West Africa - The West African Agricultural Development Corporation (WAAD), in association with International Finance Corporation (IFC). This entity will extend financial services to small and medium-size companies in West and Central Africa, which participate in the agricultural value chain, ranging from production, processing and logistics to services and technology. Next to that, Rabo Development injected additional capital into the Mozambican bank Banco Terra, the only greenfield operation of Rabo Development.

In 2012, banking specialists stationed abroad worked the equivalent of approximately 150 man-months. At year-end 2012, Rabo Development had 20 managers and long-term consultants working abroad.

Financial results of wholesale banking and international retail banking

Results			
in millions of euros	2012	2011	Change
Interest	2,775	2,957	-6%
Fees and commission	618	586	5%
Other results	612	207	
Total income	4,005	3,750	7%
Staff costs	1,320	1,116	18%
Other administrative expenses	976	847	15%
Depreciation	120	109	10%
Operating expenses	2,416	2,072	17%
Gross result	1,589	1,678	-5%
Value adjustments	621	686	-9%
Bank tax expense	60	-	
Operating profit before taxation	908	992	-8%
Taxation	204	211	-3%
Net profit	704	781	-10%
Bad debt costs (in basis points)	59	73	-19%
Ratios			
Efficiency ratio	60.3%	55.3%	
RAROC	8.4%	10.3%	
Balance sheet (in billions of euros)			
	31-Dec-12	31-Dec-11	
Total assets	530.4	514.6	3%
Private sector loan portfolio	107.5	106.6	1%
Capital requirements (in billions of euros)			
Regulatory capital	6.5	7.1	-8%
Economic capital	7.9	8.8	-10%
Number of employees (in FTEs)	15,805	15,747	

Notes to financial results of wholesale banking and international retail banking

Income up 7%

Total income from wholesale and international retail banking was up 7% in 2012, rising to EUR 4,005 (3,750) million. This increase was attributable in particular to a EUR 405 million rise in other income to EUR 612 (207) million because of the sale of remaining equity interest in Indian-based Yes Bank and the higher share of profit of Agricultural Bank of China. The lower deposit interest rate of the European Central Bank was a factor in the 6% drop in interest income to EUR 2,775 (2,957) billion. Commission was up 5%, reaching EUR 618 (586) million, thanks, in part, to an increase in commissions on loans.

Operating expenses up 17%

Rabobank International saw its total operating expenses increase by 17% to EUR 2,416 (2,072) million in the year under review. The implementation of changes in international rules and regulations proved to be a substantial cost item whose impact was felt in staff costs and other administrative expenses. Owing to routine pay increases, higher pension costs and, to a lesser extent, an increase in headcount, staff costs rose by 18%, reaching EUR 1,320 (1,116) million. The headcount was 15,805 (15,747) FTEs. Other administrative expenses were up 15% to EUR 976 (847) million due, in part, to higher consultancy fees. Depreciation and amortisation charges grew by 10% to EUR 120 (109) million.

Bad debt costs at 59 basis points

Rabobank International's value adjustments stood at EUR 621 (686) million in 2012. As ACC Bank accounted for EUR 301 million of these value adjustments, the total figure was again heavily affected by this bank. Bad debt costs amounted to 59 (73) basis points of average lending, which is higher than the long-term average of 54 basis points.

Regulatory capital down 8%

Rabobank International's regulatory capital fell by 8% in 2012, dropping to EUR 6.5 (7.1) billion in 2012. This fall is attributable most of all to portfolio adjustments and less so to changes in risk weightings. Reflecting the same movement, economic capital, i.e. the internal capital requirement, landed at EUR 7.9 (8.8) billion.

Outlook for wholesale banking and international retail banking

Rabobank International will adopt an even greater focus on the food and agribusiness in the years ahead. To this end, the existing service offering will be critically reviewed on an ongoing basis. The goal is to create an international division that contributes optimally to the strategic group targets, keeps costs low and maintains a responsible risk profile. Against this background, the coming years will be devoted to further cementing the ties between domestic retail banking and Rabobank Group's international activities.

High level of creditworthiness: risk management

Rabobank Group pursues a prudent risk policy aimed at maintaining a moderate risk profile. This is reflected, for instance, in our comfortable liquidity position, our robust capital position and our very limited exposure to government bonds issued by GII countries. In the year under review, EUR 29 billion in long-term funding was raised, which amply met the annual budget. Savings deposits also increased. Despite this strong position, Rabobank Group is susceptible to the effects of the current economic situation. The economic developments led to a worsening of the risk profile of Rabobank Group's domestic loan portfolio in particular. Bad debt costs stood at 52 basis points of average private sector lending.

General

Introduction

In addition to describing the principles underlying Rabobank's risk management policy and how Rabobank organises its 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 occur in 2013. In addition, the bank is exposed to other risks that may affect its earnings and equity, including risks attaching to the banking environment, general economic conditions, government policies and regulations. Both Rabobank itself and the Dutch Central Bank (DNB) have formulated standards concerning Rabobank Group's organisation and control. Rabobank'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 2012, much focus was placed 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, risk appetite, policy principles and limits under the supervision of the Supervisory Board and is advised by the Rabobank Group Balance Sheet and Risk Management Committee as well as by the Rabobank Group Credit Policy 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 Chief Financial Officer (CFO) is responsible for the risk policy at Rabobank Group. Two directorates share responsibility for risk policy. Group Risk Management is responsible for overall risk management and more specifically for the policy regarding

interest rate, market, liquidity, currency and operational risks, as well as for the credit risk policy at portfolio level. Credit Risk Management is in charge of the policy for accepting new clients in terms of credit risk at individual customer level. 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 robustness: risks need to be managed in order to limit the impact of adverse potential events on equity and earnings. As risk appetite must be proportional to available capital; it is defined annually. An internal framework has been developed to quantify risks.
- Protecting Rabobank's reputation: reputation is of paramount importance in banking, and it needs to be managed prudently.
- Risk transparency: identifying all risks is essential in order to obtain a good understanding of Rabobank Group's exposures. 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.

Stress testing

At Rabobank, 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. The stress scenarios that are expected to affect Rabobank most were reviewed in 2012. In addition, DNB requested two stress tests to be performed in the second half of the year. The first request related to Rabobank Group as a whole and the second to the Dutch mortgage loan portfolio. The results of the two stress tests were submitted to DNB as part of the Supervisory Review and Evaluation Process (SREP). In addition to the stress testing activities at group level, a number of internal stress scenarios were also developed for the bank's portfolios and sub-portfolios in the year under review. The results of the scenarios were reported to, and discussed with, the Executive Board, the Supervisory Board and the Audit, Compliance & Risk Committee.

Risk appetite

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, preparing full-scope top-down and bottom-up 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 earnings, maintaining sound balance sheet ratios and protecting its identity and reputation. Rabobank revised its Strategic Framework in 2012, which resulted in the further development of the risk appetite, among other things. In addition, the process of measuring and reporting the risk-return profile was fleshed out, both at group and division level. This is the next step towards the integration of risk into management information.

Risk appetite: external factors and key themes in 2012

The economic and political environment is the context in which Rabobank operates. The volatility and uncertainty of economic developments greatly affects our operations. Political factors play a major role in shaping solutions, especially when it comes to resolving the debt crisis in the eurozone. European government finances are under stress and Rabobank is suffering the consequences, not only directly, but indirectly too. Rabobank's risk management is keyed into developments around us, which is why Rabobank focused on the following topical issues in 2012: compliance, new regulatory requirements, (macro) economic developments, sectors under threat and technological developments.

A heightened sense of cost awareness is a must in this current economic climate, but pressure on costs has an often negative effect on risk, particularly in the area of compliance. That is why Risk Management focused heavily in 2012 on the impact of future regulatory requirements such as Basel III/CRD/CRR IV, FATCA, the framework recovery plan, the Volcker/Vickers rules and the Dodd-Frank Act. These regulations will have far-reaching implications for the banking landscape and they require business processes and models to become more stringent. Complying with the rules places ever greater demands on our management, employees and IT budgets, especially in these times of cost awareness and austerity.

The current market environment is weighing down the value of residential and commercial real estate. The housing market and commercial real estate have Rabobank's constant attention, with specific focus being placed on the accurate assessment of the value of commercial properties.

New technology and technological developments offer new opportunities for interaction with customers and can help bring about efficiency improvements by making services more effective and affordable. The pace of change is ever faster. The introduction of new services will offer opportunities, but will also lead to behavioural changes in our customers that result in new risks such as cybercrime.

Risks

Credit risk

Prudent credit policy, embedding credit risk management

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

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

Rabobank Group's prudent policy for accepting new clients is typified by careful assessment of clients and their ability to repay any credit that is granted (ability to continue as a going concern). As a result, the loan portfolio has an acceptable risk profile even in less than favourable economic circumstances. Rabobank Group aims to have long-term relationships with clients that are beneficial for both the client and the bank. Approval of larger credit applications is decided on by committees. A structure consisting of various committee levels has been established, with the competent committee being determined by the amount of the credit application. The Executive Board itself decides on the largest credit applications. With regard to corporate loans, a key concept in Rabobank Group's policy for accepting new clients is the 'know your customer' principle, which means that loans are only granted to corporate clients if Rabobank Group believes their management has integrity and expertise. In addition, Rabobank Group closely monitors developments in the business sectors in which its clients operate and can properly assess the financial performance of its clients. Sustainable business practices imply responsible financing and, accordingly, sustainability guidelines also apply to the lending process.

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 professionalised its risk management further by combining Basel II compliance activities with the implementation of a best-practice framework for economic capital. The main Basel II parameters as far as credit risk is concerned are EAD (Exposure at Default), PD (Probability of Default) and LGD (Loss Given Default). The economic capital and Risk Adjusted Return On Capital (RAROC) are determined partly on the basis of these parameters. A significant advantage associated with the use of 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. Alongside credit quality, this is an important factor when taking decisions on specific credit applications. In addition, the Basel II parameters mentioned above are an important element of management information at portfolio level. EAD is the best estimate of the extent to which a bank may be exposed in the event and at the time of a counterparty's default. At year-end 2012, the EAD of Rabobank Group's total Advanced IRB loan portfolio was EUR 606 (606) 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 rating is cyclically neutral in principle. 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 may range from payment arrears of 90 days to bankruptcy.

At year-end 2012, the EAD weighted average PD of Rabobank Group's total performing Advanced IRB loan portfolio stood at 1.03% (1.06%). 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 clients are expected to be able to meet their obligations. The PD does not provide any indication as to the potential losses, because Rabobank Group has in many cases secured additional collateral. This is reflected in the LGD, which also takes the possibility of restructuring into consideration. The LGD is the estimated economic loss that will result if the debtor defaults, expressed as a percentage of the EAD. At year-end 2012, the LGD percentage of Rabobank Group's total Advanced IRB portfolio was 21.8% (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 ascertains whether the client is fulfilling all its obligations and whether it can be expected to 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 a 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 allowance for loan losses consists of three components, as described below.

- The specific allowance is determined on an individual basis for impaired corporate loans representing significant sums. This allowance is equal to the exposure to the client less the discounted value of future cash inflows.
- The collective allowance is determined for impaired loans which individually are not significant, i.e. primarily loans to private individuals and small businesses. The allowance is set at portfolio level, using IFRS-adjusted Basel II parameters.
- The general allowance is determined for 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 credit-related obligations that have been provided for qualify as impaired. At year-end 2012, this involved an amount of EUR 11,203 (9,958) million. The allowance for loan losses stood at EUR 3,842 (3,222) million, which corresponds to a 34% (32%) coverage of impaired loans. Over and above these allowances, additional coverage was raised through collateral and other securities. Rabobank Group applies the one-obligor principle, which means that the exposure to the debtor and all counterparties belonging to the same group is taken into account. In addition, the full exposure to the client is qualified as impaired, even if adequate coverage is available for part of the exposure in the form of collateral. Finally, Rabobank Group always takes allowances at an early stage within the rules of IFRS. At year-end 2012, impaired loans corresponded to 2.4% (2.2%) of the private sector loan portfolio.

Value adjustments by group entity

in millions of euros	2012	2011
Domestic retail banking	1,329	648
Wholesale banking and international retail banking	621	686
Leasing	147	144
Real estate	237	129
Other	16	-1
<i>Rabobank Group</i>	<i>2,350</i>	<i>1,606</i>

Bad debt costs by group entity

in basis points of average lending	2012	2011
Domestic retail banking	44	22
Wholesale banking and international retail banking	59	73
Leasing	53	58
Real estate	124	69
<i>Rabobank Group</i>	<i>52</i>	<i>37</i>

Driven by the further economic decline, particularly in the Netherlands, value adjustments rose relatively sharply in the second half of 2012; expressed in basis points of average lending, bad debt costs stood at 49 in the first half of 2012 and at 55 in the second half of the year. The ten-year average (period 2002-2011) is 25 basis points. This movement was seen primarily at the local Rabobanks and the Dutch real estate activities. Expressed in basis points of average lending, bad debt costs were down on 2011 for Rabobank International and the leasing business. Rabo Real Estate Group is still faced with a property market under stress, which again resulted in a near-doubling of value adjustments, just as in 2011.

Impaired loans and allowance for loan losses

in millions of euros	31-Dec-2012		31-Dec-2011	
	Impaired loans	Allowance	Impaired loans	Allowance
Domestic retail banking	5,317	2,027	4,559	1,543
Wholesale banking and international retail banking	3,456	951	3,493	999
Leasing	905	488	832	474
Real estate	1,525	376	1,066	205
Other	0	0	8	1
<i>Rabobank Group</i>	<i>11,203</i>	<i>3,842</i>	<i>9,958</i>	<i>3,222</i>

Developments in real estate portfolio

Rabobank's portfolio of commercial real estate in the Netherlands is managed primarily by FGH Bank and the local Rabobanks. The quality of the commercial real estate loan portfolio is affected by conditions in the market. The value of properties is falling owing to the current state of the market, with the value of less marketable real estate coming under particular pressure. The review and valuation policy and the non-performing loans policy are based on a risk-oriented approach, in which Rabobank complies with the statutory provisions currently in force with respect to the valuation of commercial real estate (Article 4:58(1) and (3) of the Dutch Financial Supervision Act 2010). Where checks reveal that the assumed value might no longer reflect the market value, the value is reassessed. Valuations are performed by an independent third party.

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

Rabobank Group endorses the aspirations of the Dutch Valuers and Auditors Platform (Dutch acronym: PTA) to increase professionalism, quality and transparency in the area of real estate valuation. Rabobank is pleased to be able to report that Rabobank Group already complies with many of the recommendations made in the PTA report, insofar as they are relevant to valuations performed as part of the banking process. In line with PTA's recommendations, Rabobank Group will tighten up procedures in specific areas related to the internal valuation process and external valuers in 2013.

The following table provides details of the Dutch property investment portfolio at 31 December 2012.

in millions of euros	2012		2011		2010		2010-2012		at year-end 2012		
	Bad debt costs	Write-off	Bad debt costs	Write-off	Bad debt costs	Write-off	Bad debt costs	Write-off	Allowance	Impaired loans	Portfolio
Domestic retail banking	104	12	50	20	30	4	184	35	400	917	10,781
Rabo Real Estate Group	232	67	128	19	46	14	407	100	353	1,525	15,523
Total Domestic	337	79	178	39	76	18	591	136	754	2,441	26,304

Rabobank's portfolio contracted slightly in the year under review as a result of repayments and a lower risk appetite. Market developments are weighing down the quality of the portfolio, which has been reflected in a higher level of impaired loans, i.e. bad debt costs, over the past few years. Important mitigating factors for the quality of the loan portfolio are Rabobank's focus on relationship banking and the fact that its financing policy is more customer than product-driven. If the current economic developments continue, loan losses are expected to remain high in the years to come.

In addition to this Dutch portfolio, the foreign commercial real estate portfolio stood at EUR 3.2 billion. This brings the total portfolio to EUR 29.5 billion.

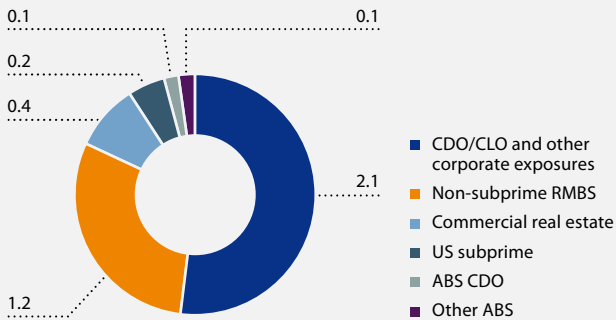
Structured credit

Structured credit exposure in the trading and investment books stood at EUR 4.0 (4.6) billion at 31 December 2012.

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 continued to fall, partly as a result of the scaling down of the portfolio, and stood at EUR 728 (1,313) million at 31 December 2012. As the total allowance amounted to EUR 634 (1,140) million, the remaining counterparty risk was EUR 94 (173) million. This counterparty risk exists

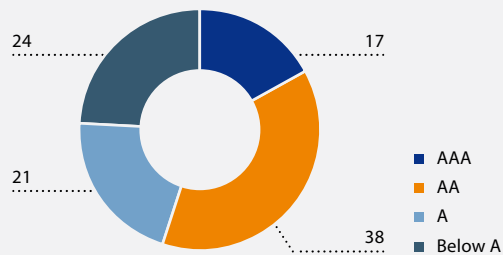
Structured credit exposure

at year-end 2012, in billions of euros



Structured credit exposure rating distribution

at year-end 2012, in %



because the fair value of the underlying investments has dropped or because other insured investments could lead to claims for payments against these insurers. When measuring the economic counterparty risk, time aspects and the credit quality of the investments have been taken into consideration. As the vast majority of the counterparty risk has been provided for, further downgrades have only a limited impact. Changes in fair values and provisions had no adverse consequences for earnings from structured credit exposures in the year under review.

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 will all be unable to fulfil their obligations owing to the same cause, e.g. war, political or social unrest, natural disasters, or government policy that fails to create macro-economic and financial stability. Transfer risk relates to the possibility of foreign governments placing restrictions on funds transfers from debtors in their own country to creditors in other countries. Rabobank Group uses a country limit system to manage collective debtor risk and transfer risk. After careful review, relevant countries are given an internal country risk rating, after which general limits and transfer limits are set. Transfer limits are introduced based on the net transfer risk, which is defined as total loans granted less loans granted in local currency, guarantees, other collateral obtained to cover transfer risk and a deduction related to the reduced weighting of specific products. The limits are allocated to the offices, which are themselves responsible for the day-to-day monitoring of loans that have been granted and for reporting on this to Group Risk Management. At 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 requirement 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 24.6 (28.1) billion at year-end 2012. The net transfer risk before provisions for non-OECD countries amounted to EUR 10.7 (12.4) billion at year-end 2012, which corresponds to 1.4% (1.7%) of total assets.

Risk in non-OECD countries

in millions of euros

31 December 2012

Regions	Europe	Africa	Latin America	Asia/Pacific	Total	As % of total assets
Economic country (exclusive of derivatives) ¹⁵	913	542	9,685	13,425	24,565	3.3%
Risk-mitigating components:						
- local currency	154	124	6,532	3,646	10,457	
- third-party coverage of country	154	187	288	285	914	
- deductions for transactions with lower risk	0	57	490	1,911	2,457	
<i>Net country risk before allowance</i>	<i>605</i>	<i>174</i>	<i>2,375</i>	<i>7,582</i>	<i>10,737</i>	<i>1.4%</i>
						<i>As % of total allowance</i>
<i>Total allowance for economic country risk</i>	<i>2</i>	<i>0</i>	<i>172</i>	<i>141</i>	<i>315</i>	<i>8.2%</i>

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

Rabobank Group's exposure to government bonds issued by Ireland and Italy was EUR 202 (260) million at 31 December 2012. Rabobank no longer holds any government bonds issued by other GIIPS countries. The exposure on bonds issued by banks in GIIPS countries are mainly Spanish covered bonds backed by additional collateral provided by the issuer.

Government exposure at year-end 2012 (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 2012
Greece	-	24	-	24	47
Ireland	54	-	41	95	-
Italy	148	-	56	204	-
Portugal	-	-	-	-	-
Spain	-	-	1,338	1,338	67
<i>Total</i>	<i>202</i>	<i>24</i>	<i>1,435</i>	<i>1,661</i>	<i>114</i>

Based on the accounting policies, it was established that impairment losses needed to be recognised in respect of the Greek state-guaranteed bonds and some bonds issued by banks; these positions have been impaired based on their fair market value at 31 December 2012. The effect on earnings was very limited in 2012. Next to exposures to Dutch, German and French government bonds, exposures to government bonds issued by other European countries are very low.

Interest rate risk

Interest rate risk is the risk that the bank's financial results and/or economic value - given the structure of its statement of financial position - may be adversely affected by fluctuations in the yield curve. Rabobank Group's interest rate exposure results mainly from differences between interest rate maturities of loans granted and amounts due to customers. If interest rates fluctuate, it is usually 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 characteristics described in the contract, 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 movements in the statement of financial position, among other things. Group entities have limited freedom to make their own choices within the set constraints.

Rabobank Group uses three 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 (latR). These indicators measure potential losses due to interest rate changes on a monthly basis. latR is a key interest rate risk indicator for the bank's earnings, particularly short-term earnings. BPV and EatR are key interest rate risk indicators for economic value and have more of a long-term perspective.

BPV is a measure of the absolute loss in market value of Rabobank Group's equity in the event of a 1 basis point increase across all yield curves. EatR measures the percentage decrease in the market value of equity in the event of an increase in yield curves of 1 percentage point. latR is a measure that Rabobank uses to estimate the impact of the greatest negative variance in projected interest income over the next 12 months in a scenario in which yield curves across the board show a gradual increase of 2 percentage points during that period and a scenario in which market interest yield curves show a gradual decrease of 2 percentage points across the board. A lower limit of 0% is used in the scenario in which interest rates fall. Owing to the fact that money market rates continue to fall, in spite of the fact that interest rates are already low, the scenario in which market interest rates gradual decline across the board was adjusted on several occasions in 2012 with respect to euro interest rates. As a consequence of this, at year-end 2012 a fall of five basis points was used as a starting point. By way of comparison, the starting point used at year-end 2011 was 75 basis points. The latR scenarios do not take active management intervention into consideration, but they do allow for changes in the pricing policy of savings products as well as changes in the repayment and savings behaviours of customers due to interest rate developments. In order to identify the potential impact on earnings caused by interest rate changes, two additional scenarios are applied besides the two standard scenarios. These two additional scenarios include a yield curve steepening and flattening scenario.

BPV, EatR and latR were well within their set limits at group level in 2012. Rabobank Group's BPV never exceeded EUR 12 million in 2012, with EatR ranging between 1.1% and 2.3% in the year under review. latR reached EUR 110 million at its highest point in 2012, which was in the scenario in which all interest rates (yield curve) show a gradual decrease. At year-end 2012, the potential impact of other types of changes in the yield curve, such as steepening or flattening, did not result in this figure being exceeded. The risk figures mentioned do not take into account any changes in exposures if the projected scenarios were to occur.

Funding and liquidity risk

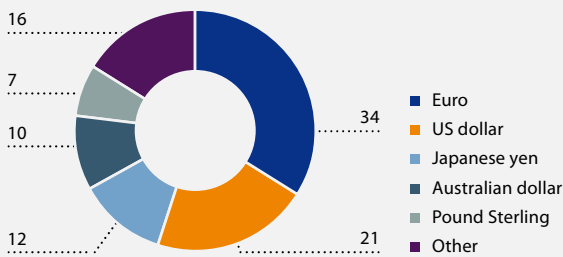
Liquidity risk is the risk that a bank will not be able to fulfil all its payment and repayment obligations on time, as well as the risk that it will at some time be unable to fund increases in assets at a reasonable price, if at all. This situation might arise if clients or professional counterparties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

Responsibility for the day-to-day management of liquidity exposures, the raising of professional funding on the money market and the capital market, and the management of the structural position lies with Rabobank Group's Treasury department, which reports to the CFO. In keeping 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 at the wholesale banking business, maintaining a large liquidity buffer and raising sufficient long-term funding in the international capital market. The retail banking division is assumed to be largely self-funding thanks to money raised from customers. The division raised more than enough money to fund operations in 2012, thanks to growth in amounts due to customers at the retail banking division outpacing growth in lending.

Rabobank has developed several methods to measure and manage liquidity risk, including a method for calculating the survival period. This is the period that the liquidity buffer will hold up under severe market-specific or idiosyncratic stress. In all the internally used scenarios, Rabobank more than satisfies the determined minimum survival period of three months. The liquidity position remained comfortable in 2012. Moreover, from the perspective of the

Senior unsecured funding by currency

at year-end 2012, in %



Dutch Central Bank's guidelines on liquidity, our liquidity position qualifies as comfortable, and our liquidity buffer as sizable, with available liquidity exceeding the requirement by 44% on average. Long-term funding activities were also successful. During the year under review, Rabobank Group managed to issue EUR 29 billion in unsecured long-term bonds in 17 different currencies. By operating on a global scale in this regard, the bank avoids becoming too reliant on a single source of finance. Equity was shored up by issuing hybrid equity instruments for a total of EUR 2.8 billion.

Investor relations

Rabobank attaches great importance to high-quality, transparent communication with institutional investors and other financiers and providers of capital, and rating agencies. The Investor Relations department is responsible for supplying and explaining all relevant information requested by investors and so to contribute to raising the required funding for Rabobank Group. On a global level, institutional investors and other financiers and providers of capital are informed of financial developments at Rabobank Group, including via the corporate website (www.rabobank.com/ir). 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 our being awarded the Best Company Award 2012 by the Netherlands Investor Relations Society (NEVIR).

Market risk

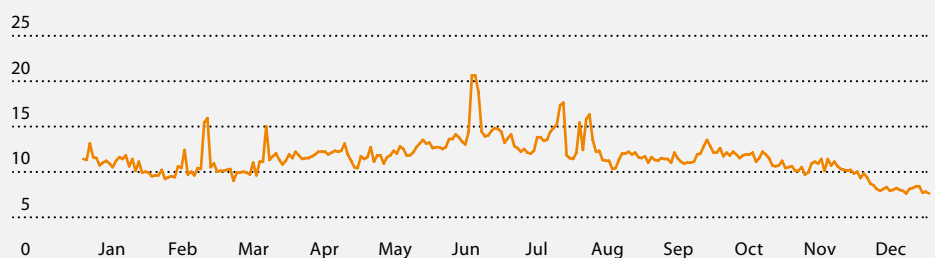
Market risk relates to changes in the value of the trading portfolio caused by movements in market prices affecting interest rates, equities, credit spreads, currencies and commodities, among other things.

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 on a daily basis 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 too, the effects of certain extreme events are also measured (event risk). To this end, historical scenarios as well as hypothetical scenarios are analysed. Sensitivity analyses are also used.

In 2012, Value at Risk fluctuated between EUR 7.6 million and EUR 20.6 million, the average being EUR 11.6 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 21 million can be expected on a single day under normal circumstances, subject to a confidence level of 97.5%. Under this method, Value at Risk is calculated on the basis of historical market trends and the positions taken. The fluctuations in Value at Risk during 2012 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 2012, consolidated Value at Risk was EUR 7.6 (16.5) million.

Breakdown of Value at Risk

in millions of euros	31 December 2012
Credit spread	1.1
Currency	0.8
Equities	1.8
Interest rates	8.1
Commodities	0.5
Diversification	-4.7
<i>Total</i>	<i>7.6</i>

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 2012
Euro	0.0
US dollar	0.6
Pound Sterling	0.2
Australian dollar	0.0
Japanese yen	0.1
Other	-0.1

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 as regards measuring and managing operational risk.

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

To implement this, Rabobank uses the three-lines-of-defence model. The group entities are the first line of defence. 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 calling 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 as regards 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 take 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 and the Audit, Compliance & 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.

LIBOR/EURIBOR

Rabobank has received subpoenas and requests for documents and information from various regulatory agencies and competition and criminal authorities in, inter alia, the Netherlands, the United Kingdom, the United States ('U.S.'), Japan, Hong Kong, Singapore, and Switzerland. The documents and information are requested as part of ongoing investigations conducted by the relevant agencies and authorities and concern the London Interbank Offered Rate ('LIBOR') submission processes for various currencies and the Euro Interbank Offered Rate ('EURIBOR') submission process. Rabobank was at various times a member of eight of the ten LIBOR panels and the EURIBOR panel, and is a member of the LIBOR panels for three currencies: Pound Sterling ('GBP'), U.S. Dollar ('USD') and Euro ('EUR'). Rabobank was never a member of the Tokyo Interbank Offered Rate ('TIBOR') panel. Rabobank is cooperating fully with the investigations.

Rabobank, along with other panel banks, has been named as a defendant in a number of putative class action lawsuits and private individual civil suits pending in the U.S. that assert federal and state claims relating to USD LIBOR, Japanese Yen LIBOR ('JPY LIBOR'), TIBOR, and EURIBOR. Rabobank believes the civil complaints filed to date and naming Rabobank as a defendant to be without merit and intends to defend them vigorously.

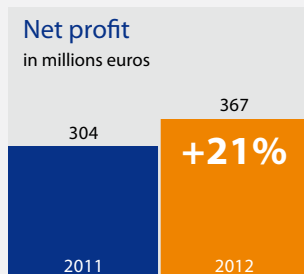
Currency risk

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 0.8 (1.3) million at year-end 2012. 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.

Our specialist subsidiaries

Leasing

www.delagelanden.com



Improved earnings thanks to portfolio growth and higher margins

In the Netherlands, De Lage Landen focuses on leasing and factoring activities in particular, as well as on consumer loans, which are granted mostly to customers of the local Rabobanks. Outside the Netherlands, De Lage Landen primarily undertakes vendor finance activities. De Lage Landen also leads the Dutch leasing market. In keeping with group strategy, De Lage Landen endeavours to expand the share of food and agri in its portfolio. The lease portfolio grew by EUR 1.5 billion, rising to EUR 29.6 billion, and the share of food and agri in the portfolio increased from 27.4% to 28.9%.

The European debt crisis had relatively little effect on De Lage Landen's lease portfolio and earnings. De Lage Landen continued to broaden its range of services to existing customers. In addition, new customers were added to the lease portfolio. The spread of the lease portfolio across countries and sectors helped to contain the increase in value adjustments. Expressed in basis points of average lending, bad debt costs fell to 53 basis points, a five-point drop. Net profit increased by EUR 63 million to reach EUR 367 million thanks to higher interest income.

Strategy

De Lage Landen provides services to the real economy. Its operations are in keeping with the group strategy of a broad financial services offering in the Netherlands. The Vendor Finance division focuses heavily on the food and agri sector and De Lage Landen has the ambition to increase its share of this market. In addition, with a view to diversification, Vendor Finance also targets a number of other sectors. De Lage Landen has extensive experience in the sectors in which it operates as well as thorough knowledge of these sectors and of the appropriate lease products. As it always has been, teamwork with other divisions of Rabobank Group is the central driving force. In the Netherlands, for instance, De Lage Landen has collaborated closely with the local Rabobanks for many years. The partnership with Rabobank International is also intensifying.

OneDLL

The worldwide growth of the past few years has culminated in OneDLL, one of the central themes of De Lage Landen's strategic plan. OneDLL encourages global teamwork between employees and lets employees of De Lage Landen, wherever they are located, operate efficiently in local markets and use knowledge transfer to respond quickly to changes in demand for lease products. This is brought about, for instance, by stepping up the decision-making powers of sales officers. To encourage this development, De Lage Landen carried out several in-house projects in 2012 that were designed to increase interaction between employees. An example of this is De Lage Landen taking part in the Clipper Round the World Yacht Race 2011-2012 so that employees were given the opportunity to look each other up,

both on board and on shore, for the purposes of building team spirit and facilitating the transfer of knowledge between them. Several integrated HR programmes, which are meant to aid employees in their personal development, complement De Lage Landen's focus on gearing up its organisation to be a valuable partner to its worldwide customer base.

Vendor Finance

The Vendor Finance division helps manufacturers and distributors to sell products and services to their target markets. This division forms the heart of De Lage Landen's international operations. Vendor Finance forges long-standing relationships with customers in the form of partnerships in specific sectors in the lease market, including food and agri, healthcare, clean tech and the industrial sector, exploring what financial solutions can be offered to help partners and end users achieve their business objectives. Knowledge of the market takes centre-stage in De Lage Landen's offering of advisory services. What is essential in this process is a structured analysis of available market information, from general macro-economic trends to short-term and long-term industry-specific data. In addition, De Lage Landen stands out from its competitors because it offers integrated asset management services. Besides defining the value of an asset over its useful life, this discipline also identifies its use and proper deployment, combining it with financing options for maintenance and spare parts. As a result, leases are increasingly being combined with service contracts for leased products, with De Lage Landen settling any financial movements related to the contracts. Partnerships are a priority in De Lage Landen's policy. Customers recognise De Lage Landen's offering of an international partnership combined with industry knowledge as a unique selling point. For this reason, De Lage Landen again managed to increase the number of contracts with existing Vendor Finance partners. As many of De Lage Landen's Vendor Finance customers operate globally, they suffered only minor effects from the current economic decline.

Finance & Mobility Solutions

The Finance & Mobility Solutions division provides services relating to leasing, factoring and consumer credit. In the Netherlands, De Lage Landen offers leasing services via the local Rabobanks and www.leaseoket.nl, or through the direct channel. Instead of purchasing assets, businesses lease them because this offers more financial leeway and certainty about costs.

Athlon Car Lease is De Lage Landen's mobility division; it has about 231,000 (214,000) contracts in its European lease portfolio. Athlon operates 126,000 (115,000) lease cars in the Netherlands, making it the car leasing market leader.

Besides leasing solutions, De Lage Landen also offers factoring services, which are particularly popular with wholesalers because receivables and inventories are greatly eating into working capital in this sector. Factoring allows customers of De Lage Landen to free up extra working capital from their receivables portfolio, which can then be used to fund growth or shore up the financial position.

De Lage Landen offers consumer loans in the Netherlands through Freo and Athlon Car Finance. Freo is De Lage Landen's online provider of consumer credit. It puts its customers' interests first by offering simple products and transparency. Athlon Car Finance, a partnership between Athlon Car Lease and the Royal Dutch Touring Club ANWB focusing on mobility services on credit for private individuals, was launched in 2012. Customers can submit a credit application via the ANWB website.

The volume of the total consumer loan portfolio rose by EUR 0.1 billion in 2012, reaching EUR 1.4 (1.3) billion.

Sustainability

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

Sustainable & Innovative Solutions

The Clean Technology Group continues to expand upon its solar project finance business as well as strong movement into the community wind and energy efficiency segments. In addition, the Group has had success adding core DLL products to the overall clean technology offering, with commercial finance, construction finance and public finance transactions completed in 2012. The Group continues to expand to additional countries of operation and leverage Rabobank cross-sell opportunities with strong forward momentum.

In 2012 Athlon started with Mobility Consultancy to help customers shift from car policies to mobility policies. The Charged program has been extended by establishing the partnership with Tesla Motors Inc. Currently Athlon has in excess of 1000 electric vehicles in contract. Athlon took a stake in peer-to-peer carsharing start up Snappcar and is currently implementing several car sharing projects.

DLL has also been making inroads on providing leasing services for circular business models with a limited number of partners. The so called Life Cycle Asset Management (LCAM) strategy actively supports partners in managing assets during their first and second life in our western economy. It contributes to a more sustainable product cycle by providing financial solutions for refurbished and remanufactured equipment.

Our way of doing business

With respect of ESG risk policy development, DLL has taken concrete steps to implement their ESG risk policies even for very small transactions that are automatically approved through automated decisioning systems. Further, DLL has also in 2012 revised the armaments policy framework, updating its commitment to refrain from business involving controversial weapons manufacturers. DLL has also enhanced transparency towards customers on these issues by producing a formal DLL Sustainability Review 2012.

Eco effectiveness

The head office of DLL in Eindhoven is as of 2012 officially a BREEAM green certified building. The renovation resulted in a 'BREEAM good' rating for existing buildings. In this category DLL is one of the first companies in the Netherlands that obtained a certificate.

To ensure that DLL improves their CO₂ performance globally, DLL has incorporated specific sustainability criteria in the global real estate policy, focusing on issues such as lighting, energy consumption, and building accessibility and are updating their mobility policy to incorporate sustainability issues. New DLL offices in Germany and Canada, are already concrete examples of applying most of the sustainability real estate criteria.

By getting ISO 14001 certified in 2012, Athlon has a framework in place to structure environmental management within the organisation. Targets are set to improve on energy performance and to further develop sustainability in the value chain.

Community involvement

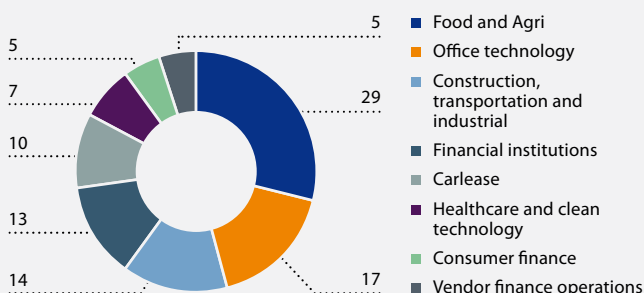
In 2012, DLL introduced a global Community Involvement framework based on a number of themes that are closely aligned with the core business. One of the key goals is to better engage staff through an employee volunteering program. In the Netherlands, DLL partnered with the Eindhoven municipal government to organise on a structural basis Corporate Responsibility 'matchmaking' events which proved successful in establishing greater community involvement partnerships between social charities and businesses in the Eindhoven region. As part of the global partnership with WWF, DLL organised joint activities for the global Clipper Race events and raised EUR 100,000 through the staff-led DLL4WWF Challenge. DLL and the Rabobank also lent technical and financial support to WWF in the development of the annual Clean Economy, Living Planet Report. Finally, in partnership with the Rabobank Foundation, DLL provided technical assistance to four micro finance institutions in the development of microleasing in Rwanda.

External recognition

At the international Leasing Life Awards, DLL won three awards: Vendor Finance Provider of the year, Green Finance Provider of the Year, Asset Finance Innovation Award. The Green Finance Provider of the Year award was received for the third time in three consecutive years. With this prize, DLL was once more awarded for making the biggest inroads into green technology finance, while also reducing the impact of day-to-day operations on the environment. The other two awards were mainly recognised based on the LCAM vision of DLL. Lastly, Athlon Mobility Consultancy won the Smart Mobility Award for innovation for its Mobility Management System 'Momas'.

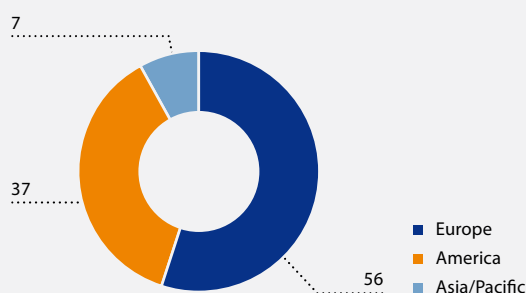
Lease portfolio by division

at year-end 2012, in %



Lease portfolio by region

at year-end 2012, in %



5% growth in lease portfolio

De Lage Landen's lease portfolio increased by 5%, reaching EUR 29.6 (28.1) billion, EUR 24.9 billion of which comprised private sector lending. In keeping with its strategy, De Lage Landen focused on further expanding the share of food and agri in the portfolio, which was up 12%, rising to EUR 8.6 (7.7) billion. As a result, food and agri now makes up 28.9% (27.4%) of total leasing. The economic climate in the Netherlands was one of the factors that caused a drop in the Dutch lease portfolio to EUR 6.3 (6.9) billion, which accounts for 21.3% (24.5%) of the total portfolio.

Financial results of leasing

Results

in millions of euros	2012	2011	Change
Interest	952	778	22%
Fees and commission	63	76	-17%
Other results	442	465	-5%
Total income	1,457	1,319	10%
Staff costs	526	455	16%
Other administrative expenses	223	269	-17%
Depreciation	47	50	-6%
Operating expenses	796	774	3%
Gross result	661	545	21%
Value adjustments	147	144	2%
Bank tax expense	9	-	
Operating profit before taxation	505	401	26%
Taxation	138	97	42%
Net profit	367	304	21%
Bad debt costs (in basis points)	53	58	-9%
Ratios			
Efficiency ratio	54.6%	58.7%	
RAROC	27.6%	25.4%	
Balance sheet (in billions of euros)			
	31-Dec-12	31-Dec-11	
Lease portfolio	29.6	28.1	5%
Capital requirements (in billions of euros)			
Regulatory capital	1.3	1.3	
Economic capital	1.3	1.3	
Number of employees (in FTEs)	5,117	4,964	3%

Notes to financial results of leasing

Income up 10%

De Lage Landen saw its total income increase by 10%, rising to EUR 1,457 (1,319) million in 2012. The lease portfolio grew thanks to the provision of a broader range of services to existing customers. In addition, active portfolio management helped to grow interest income by 22% to reach EUR 952 (778) million. Higher commission payments to the local Rabobanks resulted in a 17% fall in commission to EUR 63 (76) million. Other income was down 5%, dropping to EUR 442 (465) million, because of lower residual value gains on lease products.

Operating expenses up 3%

De Lage Landen's total operating expenses landed at EUR 796 (774) million in the reporting period. Staff costs were up EUR 71 million, rising to EUR 526 (455) million, due to an increase in the number of temporary outside staff, a higher headcount and an increase in wage costs. The headcount increased by 3% to 5,117 (4,964) FTEs. Other administrative expenses were high in 2011 because of project costs incurred for self-developed software. As these costs were lower in 2012, other administrative expenses fell by 17%, landing at EUR 223 (269) million. At EUR 47 (50) million, depreciation and amortisation charges were more or less the same.

Bad debt costs at 53 basis points

Value adjustments at De Lage Landen increased by 2% to EUR 147 (144) million in the year under review. Thanks to the global spread of the operations, the increase was very limited. Bad debt costs in basis points were down, landing at 53 (58) basis points of average lending, well below the long-term average of 69 basis points.

Stability in regulatory capital

At EUR 1.3 (1.3) billion, De Lage Landen's capital requirement was stable in 2012. The required economic capital, i.e. the internal capital requirement, also remained unchanged at EUR 1.3 (1.3) billion.

Outlook for leasing

De Lage Landen will continue its current strategy in 2013 by maintaining its focus on investing in relationships with partners. The goal is to develop sustainable partnerships that are profitable for both partners in the near as well as in the more distant future. De Lage Landen plans to further streamline its existing portfolio and continue to broaden its service offering to existing customers. 2012 saw the launch of the Action Project, which is designed to bring about structural cost reductions. This project should create a more efficient organisation in 2013.

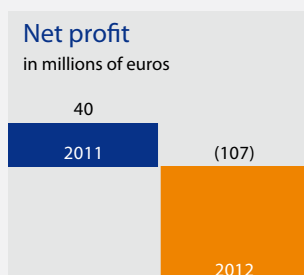
Our specialist subsidiaries

Real estate

www.rabovastgoedgroep.nl

Ongoing slump in property sector

The crisis in the property sector affected earnings at Rabo Real Estate Group, which fell from a net profit of EUR 31 million in 2011 to a net loss of EUR 113 million in 2012 due, in part, to a sharp rise in bad debt costs and property impairments. FGH Bank did deliver a good performance, however. The continually poor market prompted Rabo Real Estate Group to undertake new restructuring efforts early in 2012, which resulted in a major reduction in headcount at Bouwfonds Property Development, MAB Development, Bouwfonds REIM and the Management Centre.



Despite the difficult conditions, underlying earnings, adjusted for bad debt costs and property impairments, were more or less at the same level as in earlier years. Bouwfonds Property Development sold 6,312 homes in total, a 23% drop on 2011. The German market did well compared to the markets in the Netherlands and France, where there was a decline in the number of homes sold. MAB Development constructed EUR 218 million worth of new commercial real estate, 19% down on the figure for 2011. At EUR 19.2 billion, the loan portfolio at real estate financier FGH Bank was more or less the same as last year. Bad debt costs rose by 55 basis points, reaching 124 basis points of average lending. Assets managed by Bouwfonds REIM fell by 7% to reach EUR 5.5 billion. Rabo Real Estate Group strengthened its position as Rabobank Group's real estate knowledge centre and championed sustainable property and area development. In addition to energy aspects, factors such as multifunctional use, transformation, mobility and cultural history were key concepts as well.

Strategy for Rabo Real Estate Group

Rabo Real Estate Group is Rabobank Group's centre of expertise in real estate; it is active in the areas of property development, property finance, investment management and community fund management. Being one of the largest real estate enterprises in Europe, Rabo Real Estate Group endeavours to strike a healthy balance between the social, economic and ecological effects of its operations. Its ambition is to rank among the top in sustainability in the property sector. Rabo Real Estate Group's mission is to help clients achieve their ambitions for living, working, shopping and leisure. Rabo Real Estate Group has several divisions. Bouwfonds Property Development develops comprehensive residential areas and small mixed-use projects. MAB Development is one of the leading commercial property developers with a focus on retail and city centre development. FGH Bank specialises in property finance and 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 the living environment.

Ongoing decline in the market

The crisis has left deep scars in the Dutch property market. The new economic recession combined with stricter European oversight of financial institutions and hesitation on the part of investors resulted in a fall in property investments and exacerbated the problems in the

property market. The market for new-builds virtually ground to a halt and the commercial real estate market faced high vacancy rates of existing properties. Demand for property investment funds was limited. The fair market value of strategic land positions and land operations, properties and the financing portfolio in the statement of financial position of Rabo Real Estate Group came under stress as a result of the crisis. In addition, the market was plagued by budget cuts announced by the Dutch government, a decline in purchasing power and an extremely low level of consumer confidence. There are some positives too: high-quality real estate is keeping its value and the Cabinet measures will eventually result in reform of the Dutch housing market. In the near future, however, the measures may well have the opposite effect and cause the housing market to fall even deeper into depression. Rabo Real Estate Group is acutely aware of the opportunities and threats. Risks are mitigated thanks to the spread of the real estate operations across the Netherlands, France and Germany.

Corporate social responsibility at Rabo Real Estate Group

Rabo Real Estate Group believes that real estate should serve end users and contribute to the quality of the living environment, both now and in the future. This belief is underpinned by a commitment to:

- active ownership of sustainable real estate;
- ethical business practices;
- responsible business practices; and
- community involvement.

Financially sound business practices are the framework that facilitates this.

Active ownership of sustainable real estate

Bouwfonds Property Development launched a campaign by the name of 'Daarom nieuwbouw' (Why choose a new-build?) in 2012 to educate consumers about the sustainability of, and energy savings associated with, a new-build property. Consumers looking to buy a new-build from Bouwfonds Property Development - whose properties already meet high energy efficiency standards - can use the Green Buyers' List to choose from various additional energy-saving options.

The fact that MAB Development has a forward-looking vision in developing commercial properties is illustrated by De Heuvelgalerie, a shopping centre in Eindhoven. This development, which was completed by MAB Development 20 years ago, received a 'Very Good' BREEAM-in-use rating in 2012 without any additional structural investments having been made. Structural aspects make up one-third of the rating. BREEAM is the standard in sustainability for commercial real estate. MAB Development uses the 'Very Good' BREEAM rating for its developments as a minimum. The First Rotterdam project received an 'Excellent' rating.

FGH Bank introduced a sustainability module in 2012 to identify what sustainability labels have been awarded to properties in the bank's portfolio. Kantorentop (Office summit) is a platform for local, provincial and national authorities as well as investors, developers and property financiers, including FGH Bank, that is designed to define an effective, nation-wide solution to vacant office buildings. In June 2012, the parties signed a covenant to combat office vacancy and to promote a more effective market for office space.

Bouwfonds REIM's ambition is to align reports of institutional funds to the recommendations of INREV, the European Association for Investors in Non-Listed Real Estate Vehicles, as much as possible. In keeping with the Rabobank Food & Agri Principles, investments are made in farmland and farms in Central Europe. Local communities receive support through business courses and in setting up cooperatives, which are meant to improve their economic and social perspectives.

Fondsenbeheer Nederland sees investing in the quality of the physical environment as its strategic mission. Through the funds it manages, it achieves this on a daily basis when it comes to listed buildings (National Restoration Fund), nature conservation (Dutch National Fund for Rural Areas), incentives for the housing market, urban regeneration and sustainability (SVn, a public housing fund) and rezoning of industrial, agricultural and religious heritage (BOEi).

Ethical business practices

The new Policy Rule on Integrity in Commercial Real Estate Operations that was issued by the Dutch Central Bank (DNB) was implemented at Rabo Real Estate Group in 2012 as scheduled. In this context, a number of divisions organised integrity workshops and courses on how to deal with dilemmas for employees.

Responsible business practices

Rabobank Group offsets its group-wide carbon emissions from energy use on an annual basis by purchasing carbon certificates. Expenditures on equipment explicitly include assessments of the scope for energy savings. The current car lease scheme is being reviewed; it is set to be converted into a system with greater focus on actual emissions.

Community involvement

Rabo Real Estate Group wants its operations to be future-proof and forward-looking. Rabo Real Estate Group has been the main sponsor of Open Monumentendag (Heritage Day), one of the largest cultural events in the Netherlands celebrating Dutch cultural heritage, for years now. In 2012, over 925,000 people visited the more than 3,500 historical buildings and sites that were open to the public. Rabo Real Estate Group also expresses its commitment to the community through the activities of three non-profit divisions:

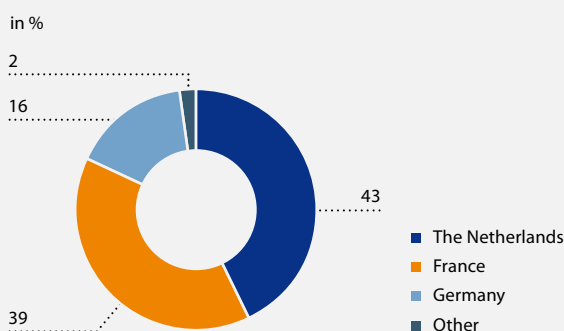
- Fondsenbeheer Nederland, a fund manager, which manages public/private community investment funds to promote the quality of spatial planning in the Netherlands;
- Bouwfonds Cultuurfonds, a cultural fund, which supports cultural projects with ties to area developments undertaken by Bouwfonds Property Development; and
- Bouwfonds Kunststichting, an art foundation, which collects, manages and preserves modern art to inspire people in their work environment.

Market conditions weighing down residential property sales in the Netherlands

Bouwfonds Property Development, which operates as Bouwfonds Ontwikkeling in the Netherlands, develops complete residential areas in the Netherlands. Its other home markets are France and Germany. The regional branches of Bouwfonds Ontwikkeling collaborate with Rabobank Nederland and the local Rabobanks in the sale of new-build developments, area development or rejuvenation, and campaigns to give an impulse to local housing markets.

The Dutch housing market was affected by ongoing consumer uncertainty. Although the Dutch Cabinet's policy measures will bring some degree of reform of the housing market in the long run, they may, in fact, cause a further decline in the housing market in the near future. In the Netherlands, the number of transactions fell by about 30% and average house prices were down on 2011 as well. Bouwfonds Ontwikkeling sold 2,739 (3,922) residential properties in the Netherlands in 2012. The French market also suffered from the economic decline and the political uncertainty about housing subsidies; fewer homes than last year were sold as a result. The German housing market remained sound and the number of residential properties sold continued to rise thanks to low mortgage interest rates and high consumer confidence. Bouwfonds Property Development sold 6,312 (8,206) residential properties in total in 2012.

Number of residential properties sold by country



Decline in development of new commercial real estate

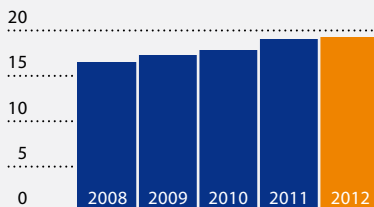
MAB Development focuses primarily on developing new commercial properties and on revamping existing commercial real estate in high-quality city centre locations. MAB's developments are usually mixed-use with a particular emphasis on retail. Given the slowdown in economic growth and the emergence of the new world of work, office vacancy rates are now considerable, especially in secondary single-use locations. There still is demand, however, in city centre locations, for instance near train stations in cities such as Amsterdam and Rotterdam, where MAB develops office space for specific users. The covenant to combat office space vacancy, which was signed by a large number of public and private parties, including MAB Development, proposes measures to reduce the vacancy rate of offices. Besides developing fewer new-builds, redevelopment is a priority in the covenant. One example of a redevelopment undertaken by MAB Development is the Coolsingel development in Rotterdam.

The retail trade suffered the consequences of the decline in consumer purchasing power. Because consumers shop online more frequently, growing vacancy rates and falling rents arose, particularly in secondary locations. High-quality central urban areas with a broad offering of facilities and attractive public spaces do, however, provide opportunities for new retail development or redevelopments. International retailers entering the Dutch market are also looking to rent space in these locations and rents are hardly suffering there. By undertaking projects such as Raaks in Haarlem and Achter de Lange Stallen in Breda in the Netherlands, and developments in Solingen and Ulm in Germany, and in Valenciennes in France, MAB Development focuses primarily on these types of opportunities. In addition, there is scope for redevelopment of strong district shopping facilities to meet consumers' daily needs, such as Colmschate in Deventer and Anklaar in Apeldoorn, and for new facilities in new districts such as Vathorst in Amersfoort and Terwijde in Utrecht. All these development projects are located in the Netherlands.

Commercial developments completed by MAB Development represented a value of EUR 248 (650) million in total in 2012. The value of new commercial real estate was EUR 218 (269) million. At year-end 2012, MAB Development had 4 (6) new developments under construction. A specialist team was put together to ensure the best possible focus on MAB Development's three largest developments. This team is responsible for the completion and streamlining of these developments.

Loan portfolio

in billions of euros



Stability in loan portfolio at FGH Bank

FGH Bank is a commercial real estate financier. It focuses on funding office space, retail space, business premises and property investments, particularly in the Netherlands. Serving local property markets from eight regional branches across the country, FGH Bank keeps close track of developments in local markets. The local Rabobanks call in FGH Bank's knowledge and expertise when dealing with property issues. FGH Bank supports the local Rabobanks by analysing the existing property portfolio and new loan applications, and carrying out market and location surveys. FGH Bank also offers support in the form of opinions and valuations via the FGH RaboTaxatieDesk. In 2012, this desk played

a key role in monitoring the quality of external valuers and in writing valuation reports for valuations starting from EUR 5 million and other large or special projects and developments. At EUR 19.2 (19.0) billion, the loan portfolio was more or less stable in 2012.

Turbulent year for Bouwfonds REIM

A real estate investment manager, Bouwfonds REIM offers unique investment products to institutional and private investors, based on principles for responsible investment, in areas such as residential and commercial real estate, parking solutions, communication infrastructure and the agricultural sector. Bouwfonds REIM was successful at increasing its parking funds in 2012. Funds for institutional and private investors were launched in Germany. The funds invest in car parks in Europe. Other funds managed by Bouwfonds REIM also broadened their portfolios in 2012. The Bouwfonds European Residential Fund, for instance, saw its managed assets rise to over EUR 500 million in the year under review and the Rabo Bouwfonds Communication Infrastructure Fund and the Rabo Farm Fund continued to grow their portfolios. There were also a number of fund sales in 2012. Owing to the outflow of assets, total assets under management by Bouwfonds REIM fell by EUR 0.4 billion to EUR 5.5 (5.9¹⁶) billion.

Klimop case

Rabo Real Estate Group continued working on the real estate fraud case referred to by FIOD-ECD, the Dutch national fiscal and economic investigation service, and the Public Prosecutor's Office as the Klimop case in 2012, focusing increasingly on recourse against the accused parties. The case also provides constant input for our Customer Due Diligence (CDD) policy. This investigative work was done with the assistance of external parties, and EUR 28 million has been spent on forensic investigations and outside legal assistance since 2007. The court issued a ruling in the criminal case against the accused early in 2012, which found most of them guilty of fraud. The other accused were convicted at the end of the year. The Public Prosecutor's Office and the accused lodged appeals in almost every instance. The appeals will be heard in the course of 2013. With the approval of the Public Prosecutor's Office, settlements were reached in the year under review between the accused and the aggrieved parties, i.e. Philips Pension Fund and Rabo Real Estate Group. Talks are still ongoing with the accused parties about another settlement. In addition, civil proceedings are pending to recover losses from accused parties who are unwilling to reach repayment settlements.

16 The comparative figure has been restated to reflect the new international standard for calculating assets under management first applied in 2012.

Employees of Rabo Real Estate Group

The employees of Rabo Real Estate Group can look back on a turbulent year as a result of the ongoing crisis in the sector, poor financial results, increasing regulatory requirements, cuts in government spending, cost cuts and a major reorganisation. In the midst of these hectic times, a new collective bargaining agreement (CBA) was signed in October 2012. The changes to this agreement were minimised for now: issues such as pay and the redundancy plan have not been touched. The parties involved will team up in the coming period to formulate the principles of the 'CBA of the future', which will reflect the structural changes in the property market.

Financial results of real estate

Results

in millions of euros	2012	2011	Change
Interest	311	277	12%
Fees and commission	35	41	-15%
Other results	84	205	-59%
Total income	430	523	-18%
Staff costs	193	200	-4%
Other administrative expenses	89	122	-27%
Depreciation	10	10	
Operating expenses	292	332	-12%
Gross result	138	191	-28%
Value adjustments	238	136	75%
Operating profit before taxation	-100	55	
Taxation	8	19	-58%
Profit Rabo Real Estate Group ¹⁷	-108	36	
Minority interest	5	5	
Net profit Rabo Real Estate Group ¹⁷	-113	31	
Other	6	9	-33%
Net profit Real estate ¹⁷	-107	40	
Bad debt costs (in basis points)	124	69	80%
Number of houses sold	6,312	8,206	-23%
Other information (in billions of euros)			
	31-Dec-12	31-Dec-11	
Loan portfolio	19.2	19.0	1%
Assets under management	5.5	5.9	-7%
Number of employees (in FTEs)	1,528	1,608	-5%

17 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.

Notes to financial results of real estate

Income at EUR 430 million

As the increase in income posted by Rabo Real Estate Group was outweighed by property impairments; total income showed an 18% decline in 2012, dropping to EUR 430 (523) million. Interest income was up 12% to reach EUR 311 (277) million thanks to higher margins on new loans and renewals. Fewer loans were issued than in 2011, which caused commission to drop by 15% to EUR 35 (41) million. Higher impairment losses on property developments and strategic land positions contributed to a 59% fall in other income to EUR 84 (205) million.

Operating expenses at EUR 292 million

Rabo Real Estate Group saw its total operating expenses decrease by 12%, landing at EUR 292 (332) million in 2012. The headcount was lower as a result of staff cuts at Bouwfonds Property Development, Bouwfonds REIM, MAB Development and the Management Centre, among other divisions. Staff costs fell by 4% to EUR 193 (200) million as a result. Other administrative expenses, which had been high in 2011 because of a reorganisation allowance, dropped by 27% to EUR 89 (122) million. At EUR 10 (10) million, depreciation and amortisation charges were more or less stable.

Bad debt costs at 124 basis points

Bad debt costs rose sharply due to the continued decline in the Dutch property market. Value adjustments at Rabo Real Estate Group stood at EUR 238 (136) million. The increase in value adjustments was concentrated in the commercial real estate sector. Bad debt costs corresponded to 124 (69) basis points of average lending.

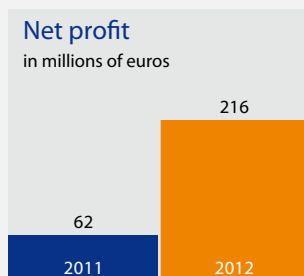
Outlook for real estate

The Dutch property market will initially show few signs of recovery in 2013. Consumer confidence is expected to remain low due, in part, to government spending cuts. Corporate expenditures are likely to fall and the unemployment rate is set to rise. The impact of the new austerity measures will become visible in the course of 2013, but their effect on the property market remains uncertain. The property market in the Netherlands is in worse shape than in the countries around us. The outlook for the German property market is positive. There are opportunities for commercial real estate to be had in new property concepts and the revamping of areas and buildings.

Our specialist subsidiaries

Asset management

www.robeco.com, www.schretlen.com



Good investment year despite turbulent times

The strategic options for Robeco were explored in 2012, which resulted in February 2013 in the sale of the asset management business to Orix, a Japanese financial services provider. This transaction will be effectively completed later in 2013. In addition, the sale of Sarasin was finalised in July 2012. As a result of these developments, the Annual Report for 2012 will be the last time for Rabobank Group to report on asset management activities.

Disregarding the effect of the sale of Sarasin, Rabobank Group's assets under management for clients rose by EUR 38.1 billion as a result of a combination of high cash flows and positive investment returns. The Pension Fund for the Transport Sector transferred its plan assets to Robeco early in 2012, which contributed greatly to the high cash flows from asset management in the sum of EUR 16.4 (7.0) billion. Many customers saw the value of their investments rise in 2012. Overall, 69% of assets managed by Robeco outperformed the benchmark in 2012. The increase in assets managed by Robeco, combined with a strong focus on costs, contributed to the 47% increase in Robeco's net profit to EUR 197 million.

Sale agreement with Orix on the subject of Robeco

With Orix, a Japanese financial services provider, a sale agreement is signed on the subject of Robeco in February 2013. Orix will acquire over 90% of the Robeco shares in exchange for a purchase price of EUR 1,935 million. All the required regulatory approvals are expected to be granted within six months, after which the closing will be transacted. As part of the deal, Rabobank and Orix have agreed to become strategic partners. Rabobank will keep an equity interest of nearly 10% in Robeco and Robeco's Dutch-based banking activities will be transferred to Rabobank. Rabobank has decided to sell Robeco to act ahead of future rules and regulations. The sale is also likely to improve Robeco's growth perspectives. Robeco is Orix's most significant strategic acquisition and it will become the key platform in its ambition to achieve global growth in asset management services. Robeco will continue to serve its customers using the existing labels.

Asset management business Rabobank Group

Robeco forms the heart of Rabobank Group's asset management business. By selling Robeco, as is the plan, Rabobank Group will no longer have an asset management segment, which is now presented separately in the consolidated financial statements and the Annual Report. The Annual Report for 2012 will be the last time for Rabobank Group to report on this segment. The consolidated financial statements for 2012 of Rabobank Group recognise the activities undertaken by Robeco as 'discontinued operations' under IFRS, meaning that the figures for 2012 will be reclassified to a single line in the statement of financial position and the statement of income. The statement of income for 2011 will also be restated accordingly.

Robeco investment funds: good performance for 2012

Stock markets did well in 2012 and fixed-income markets showed a positive picture too. Both the AEX Index and the MSCI World Index rose by 14% and MSCI Emerging Markets delivered a 16% return, all with reinvestment of dividends. The Robeco investment funds

achieved good returns in general. Overall, 69%¹⁸ of Robeco's managed assets outperformed the benchmark for 2012; the three-year historical figure was 64%. The table below shows the returns delivered by Robeco's main funds in 2012 and compares them to the benchmarks.

Fund	Return	Benchmark	Managed assets (in billions)
Harbor International	21.8%	17.3%	USD 39.0
Harbor Capital Appreciation	16.4%	15.3%	USD 17.0
Harbor Bond	9.9%	4.2%	USD 7.9
Transtrend Enhanced Risk USD	0.7%	-	USD 6.8
Robeco US Premium Equities	15.8%	17.5%	USD 5.3
Robeco	16.8%	14.7%	EUR 4.1
Robeco High Yield Bonds	18.2%	16.1%	EUR 3.2
Robeco Lux-o-rente	3.2%	4.1%	EUR 2.7
Robeco Emerging Markets Equities	16.3%	16.4%	EUR 2.2
Robeco All Strategy Euro Bonds	12.7%	11.2%	EUR 1.8
Rorento	10.0%	6.0%	EUR 1.6
Rolinco	17.2%	14.3%	EUR 0.6
SAM Sustainable Water	21.0%	14.0%	EUR 0.6

Responsible investment at Robeco

Robeco endeavours to pursue a responsible investment policy based on good governance, corporate social responsibility and higher shareholder value, placing particular emphasis on a business's environmental, social and governance (ESG) practices. Robeco strikes up an active dialogue with the enterprises in which it invests and exercises voting rights in their shareholders' meetings. In addition, Robeco has an exclusion policy for businesses involved in the production of, or trade in, controversial weapons such as cluster munitions and anti-personnel mines.

Responsible investment at Robeco

in billions of euros	2012	2011
Assets managed by Robeco Group	189	150
Assets invested in sustainable theme funds	3	4
Assets to which ESG factor integration is applied	100	84
Assets managed on which dialogues with businesses are ongoing ¹⁹	51	41
Assets managed for which voting rights were exercised ²⁰	32	26

Developments in responsible investment and responsible business practices

Robeco uses its Enhanced Engagement programme to strike up an active dialogue with businesses acting in contravention of the principles of the UN Global Compact. Late in 2012, Robeco decided to exclude the first business under this programme for serious environmental violations. Robeco tweaked its sustainability criteria for investments in government bonds in 2012. In addition, Robeco voted on sustainability issues in shareholders' meetings in 2012 too.

Exclusion policy

Robeco beefed up its exclusion policy in 2012. Countries subject to arms embargoes by the European Union, the United States or the United Nations are now being excluded from bond investment funds. Businesses involved in the arms trade with these countries are also excluded.

Strong increase in assets managed by Robeco

Assets managed by Robeco saw a EUR 38.6 billion increase in 2012, growing to EUR 188.9 billion. The Pension Fund for the Transport Sector transferred its plan assets worth about EUR 13 billion to Robeco, which contributed greatly to the high cash flows of EUR 18.4 (7.6) billion. Total inflow of assets into the asset management business, including Robeco, was EUR 16.4 (7.0) billion. Most stock markets had a good year, and shares and bonds delivered positive returns for clients on average. This resulted in a return on investment for the asset management business of EUR 23.6 (-16.5) billion on balance. Developments in exchange rates had a negative currency effect of EUR -1.4 (4.9) billion overall.

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

19 Robeco was involved in 302 (471) dialogues with different businesses about 22 (23) themes in 2012.

20 Robeco voted in 2,888 (2,781) shareholders' meetings in 2012.

The sale of Sarasin caused total assets under management and held in custody for Rabobank Group clients to drop by EUR 41.1 billion, landing at EUR 221.2 (262.3²¹) billion. Disregarding the sale of Sarasin, which managed EUR 79.3 billion in assets at year-end 2011, assets under management rose by EUR 38.1 billion. Besides Robeco, Schretlen & Co also managed EUR 8.6 (8.4) billion and Rabo Real Estate Group managed EUR 5.5 (5.9) billion in Rabobank Group assets. The remainder of clients' assets is managed by local Rabobanks.

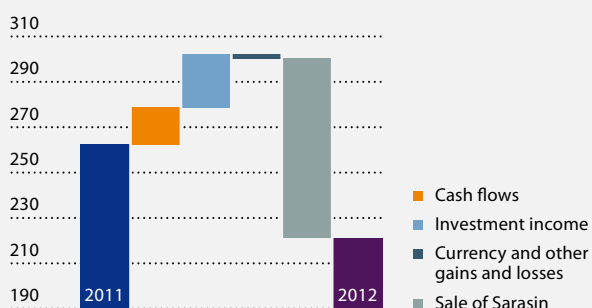
Uncertainty among private investors

Despite the trouble in the eurozone and the recession in large parts of Europe, 2012 proved to be a good investment year in which taking risk was rewarded. But the economic climate also brought plenty of uncertainty and investment sentiments were hurt by political developments. Many private individuals opted for the certainty of low returns on savings rather than going with more high-risk investments with better, but uncertain returns. These developments resulted in limited inflows of private funds in 2012.

21 The comparative figure has been restated; Rabo Real Estate Group uses a new standard for calculating assets under management.

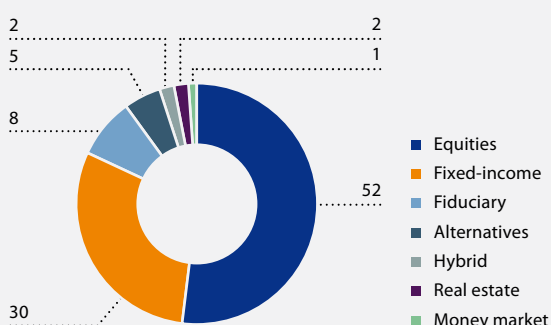
Developments in assets under management and held in custody for clients

in billions of euros



Assets under management and held in custody for clients by asset category

in %, at year-end



Financial results of asset management

Results

in millions of euros

	2012	2011	Change
Interest	22	55	-60%
Fees and commission	680	620	10%
Other results	78	-3	
Total income	780	671	16%
Staff costs	308	279	10%
Other administrative expenses	135	151	-11%
Depreciation	38	38	
Operating expenses	481	467	3%
Gross result	299	204	47%
Value adjustments	2	0	
Operating profit before taxation	297	204	46%
Taxation	100	70	43%
Net profit from discontinued operations - Robeco	197	134	47%
Net profit from continued operations	19	-72	
Net profit	216	62	
Assets (in billions of euros)	31-Dec-12	31-Dec-11	
Assets under management and held in custody for clients Robeco	188.9	150.3	26%
Number of employees Robeco (in FTEs)	1,387	1,414	-2%

Notes to financial results of asset management

The consolidated financial statements for 2012 of Rabobank Group recognise the activities undertaken by Robeco as discontinued operations under IFRS, meaning that the figures for 2012 in the segment information of the financial statements will be reclassified to a single line in the statement of financial position and the statement of income. The statement of income for 2011 will also be restated accordingly. Net profit from continuing operations comprises the former operations of Schretlen & Co and Sarasin. Total net profit from discontinued and continuing operations in the asset management segment stood at EUR 216 (62) million.

Income up 16%

Robeco's total income was up 16% in 2012, rising to EUR 780 (671) million. Interest income fell by 59% to EUR 22 (55) million due, in part, to lower margins on savings deposits. Commission rose by 10% to reach EUR 680 (620) million thanks to a strong increase in assets under management. Other income grew by EUR 81 million, reaching EUR 78 million, as a result of higher bond values and gains on the sale of debt instruments.

Operating expenses up 3%

Robeco's total operating expenses were up 3% in 2012, landing at EUR 481 (467) million. Routine pay rises caused an increase in staff costs by 10% to EUR 308 (279) million. Over the past few years, Robeco has made choices with respect to the scope of its product offering and its target markets. This reduction in complexity contributed to the 11% decline in other administrative expenses, which fell to EUR 135 (151) million. At EUR 38 (38) million, depreciation and amortisation charges were stable.

Employees

People make the difference

Employees form the heart of Rabobank. Together they shape the experiences clients have with the bank. The bank's employees can make a real difference, especially in a market where financial products and services have fewer and fewer distinguishing features. In turbulent times, connecting with clients is crucial to our success. A great deal is therefore demanded from employees, who need to have the professional skills to put customer care into practice.

HR vision

The essence of the vision for human resources (HR) is that cooperative banking in turbulent financial and economic times requires more than ever that connections are made on many levels. Cooperative bankers connect with clients, with society, with each other and with the future. This explains the title of the HR vision, 'People connect the bank'. Together with the visions on other HR issues, such as remuneration, learning and development, and management development, the HR vision forms an integrated whole.

Change processes

The Netherlands currently has a weak economy and stricter rules and regulations are in force for financial services. In addition, the housing market is sluggish and the country is dealing with the impact of austerity measures. These challenges require all employees to be flexible and adaptable. The local Rabobanks will look very different in 2016 than they do now. The contours of these challenges became clear in the course of 2012 and, after having been widely discussed within the organisation, also with employee representatives, they were included in the updated Strategic Framework for the period 2013-2016. They were then expanded and further developed to produce the Vision on Rabobank in the Netherlands in 2016. The developments outlined in that vision, which include redesigning working procedures, substantial cost savings and job cuts, will call for a range of HR tools to be used in order to maintain and build on our robust position in the next few years. This also means that the entire pay-and-benefits package will have to be adjusted.

In 2012, Rabobank's HR department focused primarily on the issues of leadership, employability and vitality, being an employer of choice, and remuneration.

Leadership

Shaping and guiding the changes described above requires strong personal leadership. At group level, Rabobank offers talent development programmes and a management curriculum. In 2012, 193 employees from local Rabobanks, Rabobank Nederland, Rabobank International and subsidiaries took part in the talent development programmes. The focus of the programmes was on developing an individual style of leadership that is in keeping with Rabobank's cooperative identity. The management curriculum, which is open to all managers and has a strong focus on leadership during change processes and process management, was followed by 297 managers. The Rabobank Management Interviews currently provide 147 participants with the basic skills they need to fulfil their role and duties as a manager.

adequately. In addition, 63 new managers attended the 'HR-in-de-lijn' workshop, where they learned about Rabobank's HR and management development policy and HR Zelfbediening (the computer platform for HR tasks) as well as the role they play in respect to this.

For local Rabobanks, continuing education courses were offered to members of the local Management Teams and Supervisory Committees. The top 100 managers at Rabobank International's wholesale banking business followed a programme on leadership, empowerment and mobility provided by Harvard Business School. At Rabobank International Rural & Retail Banking, 16 current and future leaders followed the talent development programme to become ambassadors of the bank's culture and values. A professional development curriculum has been developed for employees, and this will be launched in 2013.

Employability and vitality

2012 saw the expertise and professional skills of employees come under increasing pressure, in such forms as Treating Customers Fairly, customer integrity and developments surrounding transparency in fees. All this placed great demands on the quality of management, and this in turn also required a great deal of the professionalism, involvement and commitment of employees.

Investments continued to be made in developing the knowledge and professional skills of employees in 2012. Rabobank believes it is crucial to continue to promote a favourable learning climate and to offer employees sufficient development opportunities so that they can continue to grow in terms of both professional knowledge and competencies. To this end, the bank provides training facilities for specific target groups, such as talented employees, managers, members of the Supervisory Board and Supervisory Committees and professionals. Training is provided in the form of e-learning, classroom-based learning and workshops, among other things. The Learning Portal, which was upgraded in 2012, gives managers and employees the possibility of monitoring the progress they make in the area of learning and their level of expertise.

Policy on expertise

The bank's policy on expertise, as dictated by internal rules and external rules and regulations, was simplified in 2012. As part of this, a clear distinction was made between statutory educational requirements and what Rabobank expects employees to know and be able to do from a professional perspective, which are what Rabobank calls professional skills.

In 2012, statutory and regulatory developments meant that employees had to put a great deal of effort into training and education. In the first quarter of the year, the spotlight was on customer integrity training ensuing from the Dutch Money Laundering and Terrorist Financing (Prevention) Act. The training was designed to update the knowledge and skills of employees, in accordance with the requirements laid down by law, so that employees are equipped to organise files and keep them in order. At the end of March, over 40,000 examinations were sat by employees of local Rabobanks, Rabobank Nederland and Rabobank International. In the second and third quarters of 2012, many employees at local Rabobanks received training as part of the new Mortgage Advice Framework. During the fourth quarter, transparent fees were at the centre of attention. In addition, the theme of Treating Customers Fairly was integrated more explicitly into existing training courses. From the perspective of the Dutch Financial Supervision Act, training efforts related chiefly to pension insurance qualification.

Long-term employability

Ensuring long-term employability is a shared responsibility. Employees work with their managers to ensure that they remain employable. The process starts with dialogue, and various tools can be used to support it. The virtual career portal, which had over 11,500 new users in 2012, enables employees to take the initiative and ownership. Many employees of Rabobank Nederland, Rabobank International and the local Rabobanks have become conversant with this virtual career information and tools facility since it was introduced in 2010, with the local Rabobanks accounting for the great majority of users. Almost 14,000 career tests were taken in 2012. Employees can use the self-insight they gain to complete their own PDP (personal development plan) or to prepare for their individual development interview. In 2012, approximately 150 managers and team leaders followed courses to improve their ability to conduct such interviews. In addition to obtaining individual career advice, employees can also take courses that focus on employability. In this context, older employees received special attention in 2012.

Specific attention was paid to career opportunities for professionals working in the organisation, with consideration being given to horizontal as well as vertical career paths. In addition, local Rabobanks and departments at Rabobank Nederland and Rabo International developed their own initiatives, such as Connect4You and Rotation Development Committees. In 2012, two well-attended employability fairs for employees and managers were held at Rabobank Nederland.

The challenge for Rabobank's HR department in the next few years will focus primarily on guiding training efforts to bring about the transformation of the organisation as envisaged in the updated Strategic Framework. External developments will continue to have a major impact in this regard. The Dutch Ministry of Finance, for instance, is working on a legislative proposal that will lead to a significant amendment to the Financial Supervision Act pertaining to the expertise of advisers. This will of course mean more training for our employees.

Rabobank's HR department makes the most of developments in the area of virtual learning. Alongside learning in the workplace, more and more learning is taking place through social media, communities, webinars and e-coaching. Rabobank intends to provide further support for these forms of learning in 2013.

In the area of talent development, a management development policy and a long-term agenda have been established. These are designed to give Rabobank better insight into the talent pipeline and support succession management.

Six departments at Rabobank Nederland and eleven local Rabobanks have developed initiatives to provide work for one or more young people in receipt of disability benefits. In 2012, Rabobank Nederland launched a project to provide opportunities to more people with occupational disabilities by offering them a job at Rabobank.

In addition to employability, vitality is an important focus area at Rabobank. The guiding principle here is that healthy employees are more productive. Vitality also helps employees remain employable in the long term. In 2012, 65% of employees of local Rabobanks and Rabobank Nederland stated that they felt healthy, the same percentage as in 2011, and 69% stated that they were full of enthusiasm. The average score on the employability scale was 66, while the average score for energy at work was 67. A relatively large number of employees were at risk of having to take sick leave owing to the pressure of work and/or work-related stress in 2012. Increased pressure of work was experienced by 31% of employees, while 16% suffered from work-related stress. The percentage of employees at an increased risk of absenteeism due to MSDs (musculoskeletal disorders) stood at 14%. During the year under review, 43% of employees did not report sick at all (2011: 39%), and 82% of those who did report sick recovered within one week.

Absenteeism

The rate of absenteeism at Rabobank Group fell markedly in 2012, from 3.9% in 2011 to 3.6% in 2012. This meant that the absenteeism rate was below the standard of 3.8% set in the Occupational Health & Safety Policy Framework. The most common reasons for absenteeism among employees of local Rabobanks and Rabobank Nederland were mental health problems, which accounted for 45% (50%) of absenteeism, and complaints related to the locomotor system, which accounted for 16% (17%). 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 2012, 66% of confidential contact persons were approached, representing an increase against 2011 (65%). On average, 2.2 (2.6) reports were submitted per confidential contact person.

Employer of choice

Rabobank has a good image in the Dutch labour market. It is frequently declared the employer of choice, and in 2012 it was awarded this title by *Intermediair* magazine, *Incompany* 200 magazine, LinkedIn professionals and *Management Team* magazine. In times when talent is thin on the ground in the ageing labour market, the influx of new, young employees is vital to ensure that the bank remains dynamic. Rabobank aims for top-of-mind awareness among promising students, which it seeks to achieve by using social media and visiting campuses, among other things.

Rabobank wants to be at the cutting edge, both as an employer of choice and from a business perspective. An inclusive culture that recognises, acknowledges and values employee diversity is in keeping with this aim. Gender diversity receives specific attention. Rabobank is seeking to increase the proportion of women in senior management positions by 8.5 percentage points compared to 2011 by 2014. The proportion of women in such positions rose to a limited extent, from 12.8% in 2011 to 14% in 2012. Specific attention is given to the proportion of female participants in the talent development programmes, the interim management programme and the corporate management traineeship programme. The interim management programme is a key source of people for management positions at local Rabobanks. In 2012, 39% of the participants in this programme were women. In the top echelons of Rabobank, there are two female members of the Supervisory Board as well as one woman on the Executive Board, who retired from the Executive Board in January 2013.

Remuneration

Remuneration is closely connected to being an employer of choice. Rabobank's HR vision states that remuneration is more than just pay, and that matters such as an inspirational working environment and the opportunity to take responsibility, develop one's talents and work for an organisation of which one can be proud are also important.

Group Remuneration Policy

Rabobank is of the opinion that it pursued a prudent, restrained remuneration policy in 2012, as it did in previous years. As a consequence, its policy did not create any undesirable incentives that could harm customer interests or damage Rabobank's long-term financial position. In addition, Rabobank is pursuing its own, relatively moderate policy on setting pay. Rabobank's remuneration policy is laid down in the Group Remuneration Policy (GRP), which was introduced in 2011. The GRP elaborates on the principles underlying the remuneration policy. It was prepared in line with the requirements set by the European Capital Requirements Directive (CRD III) 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.

The annual performance appraisal and remuneration cycle, including the defining and measuring of performance targets, is designed to ensure that the right targets are chosen to treat customers fairly on the one hand and shore up the robustness of the organisation and its ability to continue as a going concern in the long term on the other.

The Executive Board and the Supervisory Board monitor whether the awarding and payment of variable pay is within the parameters of the GRP. Monitoring committees, which have been established at all group entities and subsidiaries, have an important advisory and assessment role in this process. The aim is to reduce the risks associated with variable pay where needed and at the same time avoid any undesirable incentives.

A new remuneration framework was introduced at Rabobank International Rural & Retail Banking in 2012. This new framework provides a clear and consistent job classification system and remuneration structure (global consistency), while offering individual entities the flexibility they need to ensure that their pay structure is in line with the local markets where Rabobank International Retail & Banking is active (local flexibility). Global consistency is achieved by means of a uniform job classification system, pay structure and variable income model. Local flexibility is expressed primarily in pay levels based on local circumstances and customs.

Rabobank aims to be cost-aware in its terms of employment. The Rabobank collective bargaining agreement (CBA) expired on 30 June 2012, and in the spring of 2012 the parties to the CBA started talks on a new agreement. By the end of the spring, they reached the conclusion that it would be best to suspend the talks. This was partly because the parties wanted such different things that further negotiation did not seem appropriate. Another reason was that the fall of the Cabinet and the accord on the 2013 budget created uncertainty about the future of legislation that was relevant to the CBA. When the parties to the CBA resumed talks in the autumn of 2012, they discovered that these two issues still proved a barrier to bringing the talks to a successful conclusion. Talks were resumed in January 2013. Rabobank attaches great importance to reaching agreement on a CBA with the unions. The CBA for 2011-2012 was automatically renewed for one year with effect from 1 July 2012.

Remuneration at group entities and subsidiaries

In 2011 and 2012, De Lage Landen and the unions held talks aimed at concluding a new CBA that would come into effect on 1 February 2012. Unfortunately they failed to reach agreement. De Lage Landen terminated the CBA, which ended on 31 January 2013. A new set of collective terms of employment called Your Employment Conditions, which were formulated in collaboration with the Works Council, became effective on this date.

Operating profit at Rabo Real Estate Group was under pressure owing to the continued gloom in the property markets, increased legislation and regulations, and sharp cuts in government spending. Despite this, the parties to the Rabo Real Estate Group CBA managed to sign a new CBA, which came into effect on 1 October 2012. It was agreed that changes to the CBA would be minimised and that no changes would be made in important areas such as pay and the redundancy plan. It was also agreed that, during the term of the next CBA, the parties to the CBA would work together to flesh out important issues for the 'CBA of the future' for Rabo Real Estate Group. This will cover issues such as remuneration, mobility, individual freedom of choice, modernisation and the simplification of the CBA, and will consider austerities.

Pensions

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 118.0% at year-end 2012. Given the required coverage ratio of 110.2%, this means that the fund had a reserve surplus of 7.8%. The coverage ratio was down on 2011 owing to the new method used to calculate the fund's obligations. The fund's pension obligations extend over many years. This total of amounts owing is reflected in a single figure: the present value of funded obligations. This is calculated using the interest rate term structure published by the Dutch Central Bank (DNB).

The Dutch Minister of Social Affairs and Employment has decided that the interest rates applying to longer maturities in this interest rate term structure no longer needs to be the same as the market interest rate, and instead a higher rate of interest applies. Using a higher rate of interest for discounting purposes produces a lower result, leading to a fall in funded obligations and a rise in coverage ratio. As a consequence, the coverage ratio of the Rabobank pension fund was around 6.8 percentage points higher than it would have been if the method of calculation used last year had been applied. The coverage ratio stood at 115.8% at year-end 2011, and if the same calculation method had been applied, the coverage ratio at year-end 2012 would have been 111.2%.

The national pension accord and the associated announced 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 consultation structure, comprising employer and employee representatives, the pension fund's member council and the unions, has been called into being for this project.

The Robeco pension plan is a 'staggered' plan. Members with a fixed income above a certain threshold are provided with a defined contribution that can also be added to their gross pay if they prefer. The coverage ratio of the Robeco pension fund was 110% at year-end 2012. Based on this, indexation will not be applied in full. The Robeco pension fund has decided not to apply the ultimate forward rate (UFR).

Other developments

The aim of the advisers of the Employment Disputes Committee (EDC) is to help managers and employees to resolve their disputes themselves wherever possible. In 2011, there was a rise in the number of cases submitted to the EDC. This number returned to the level seen in previous years in 2012. In 2012, 257 cases were handled. Many cases concerned employee performance (60%), including actual performance and future prospects based on performance. The other cases involved reorganisations (16%), terms of employment (12%) or working relationships (12%).

The most common way in which disputes were handled was by providing advice (83%). A total of 15% of disputes involved mediation (4% over the telephone, 11% in face-to-face meetings). Only four disputes (2%) were referred to the Employment Disputes Committee for its consideration, and in one case this resulted in a binding decision.

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, De Lage Landen and Friesland Bank have their own internal whistleblower regulations. Employees of foreign branches can use local whistleblower regulations or the Trusted Persons Network (TPN) offered by KPMG.

In 2012, the external confidential contact person received ten reports from employees. He referred two of these cases to the Whistleblower Regulation Confidential Committee for discussion. Seven cases did not come under the whistleblower regulation, and the persons who reported them were referred to another regulation where necessary. The confidential contact person received another report at the end of 2012, but at the time of writing he had not yet decided on how the case should be handled. In addition, the external confidential contact person received two reports through the TPN. One of these cases was submitted to the Confidential Committee in 2012; while the other will be dealt with by the Committee in 2013.

Corporate governance

Rabobank Group is comprised of independent local Rabobanks, Rabobank Nederland, which is 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. They are independent cooperatives. The local Rabobanks, for their part, are members of, and shareholders in Rabobank Nederland, a cooperative. They are deeply rooted in their local service 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 Regional Delegates Assembly has its own Board whose members also sit on the Central Delegates Assembly, a body responsible for an important part 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 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/en/group/About_Rabobank_group/Corporate_governance/index.html.

Dutch Banking Code

The Board of the Dutch Banking Association adopted the Banking Code for Dutch banks in 2009 as an implementation of a report entitled 'Naar herstel van vertrouwen' (Restoring trust) published by the Advisory Committee on the Future of Banks. Rabobank Nederland modelled its governance structure on the Dutch Banking Code in 2010. To find out more about Rabobank's compliance with the Dutch Banking Code, please consult the section on the Dutch Banking Code in this Annual Report and a separate appendix to this Annual Report that is available on our corporate website www.rabobank.com/annualreports.

Rabobank Group Code of Conduct

Rabobank takes its place in society, all the while adhering to four core values that are embedded in Rabobank's mission and ambition: respect, integrity, professionalism and sustainability. The Rabobank Group Code of Conduct encompasses our core values and gives direction to the actions of all of Rabobank Group's employees. All group entities have adopted the Rabobank Group Code of Conduct or a self-designed equivalent that is based on the group code. 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, including courses and sessions to discuss business dilemmas, to allow our employees to act in accordance with the Rabobank values and philosophy (Ambition Statement, Rabobank Group Code of Conduct and specific codes of ethics). In 2012, more than one-third of all member banks presented the Code of Conduct to new employees, taught employees how to interpret the Code when dealing with business dilemmas, and used the Code to address dilemmas. Rabobank International actively invested in compliance with the Code in the year under review: the vast majority of employees stated that they knew the Code and were motivated to apply it. 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 became a statutory requirement for day-to-day decision-makers and supervisory directors on 1 January 2013.

Cross-guarantee system within Rabobank Group

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

Local Rabobanks

The local Rabobanks have a cooperative structure. 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 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. At the end of 2012 almost all local Rabobanks had adopted the Rabo Model.

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

In addition to decisive management and independent supervision, the governance model also guarantees effective member influence. The members of local Rabobanks have important powers under the Articles of Association, 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 service areas.

Management Team (local Rabobanks)

Every local Rabobank has a multi-person Management Team consisting of banking professionals, who collectively conduct the bank'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 responsibilities is to achieve member commitment and member influence.

Supervisory Committee (local Rabobanks)

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 Rabobank across the spectrum. This includes 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 and regulations. 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, as a member of Rabobank Nederland, in the Regional Delegates Assembly.

The members of the Supervisory Committee are from different backgrounds and bring different experience and skills to the table. This 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 (local Rabobanks)

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

Each local Rabobank has a 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 service area. The Management Team asks the Member Council to assess its policies in order to tailor its service offering as much as possible. The Member Council influences and monitors the direction of the local Rabobank and forms the link towards 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 local economic, social and cultural environment, including sustainability initiatives.

General Meeting (local Rabobanks)

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

Works Council (local Rabobanks)

Based on the law of Works Council, each local Rabobank has its own Works Council to discuss representation issues affecting that particular bank. 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 or a delegation of this Committee is also represented in these Meetings. 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 operates within the scope of the Dutch Works Council Act as the central employee representative body of all the local Rabobanks that looks after the interests of the local Rabobank's employees.

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

Rabobank Nederland

Rabobank Nederland was 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 resource 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 money and capital market transactions of the Group.

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. This means 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 the evaluation thereof. 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 (Rabobank Nederland)

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

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

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

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

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

Supervisory Board (Rabobank Nederland)

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 recommended 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 and subject to the approval of the Dutch Central Bank (DNB). Key considerations in nominating and appointing Supervisory Board members are their expertise and independence as individuals. The profile describes the integrity, and the expertise and level of availability that the Supervisory Board feels are needed. The members of the Supervisory Board take part in a customised continuing education programme. The Committee on Confidential Matters of the Central Delegates Assembly sets the remuneration of the Supervisory Board members.

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 Issues Committee, the Appointments Committee, the Remuneration Committee and the Appeals Committee.

Central Delegates Assembly

The local Rabobanks are organised geographically in twelve Regional Delegates Assemblies, each with their own Board. Together, the Boards of the Regional Delegates Assemblies form the Central Delegates Assembly, which meets four times a year. The 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 of 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 discusses the policies with the Central Delegates Assembly and provides further details. In order to operate effectively, the Central Delegates Assembly has appointed committees from among its members, which are charged with specific duties. The Committee on Confidential Matters advises on appointments to the Supervisory Board, determines the remuneration of the Supervisory Board members, and reviews whether the Supervisory Board has properly applied the remuneration policy. The Central Delegates Assembly's Coordinating Committee adopts the agenda for the Assembly and performs formality checks of the agenda items. The Emergency Affairs Committee represents the Central Delegates Assembly in advising the Executive Board on urgent, price-sensitive or confidential issues, mainly involving major capital expenditures, acquisitions or divestments.

General Meeting

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

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

Works Council

Rabobank Nederland's Works Council is based on the law of Works Council and is the bank's employee representation body. One of the duties of this Works Council is to monitor compliance with the collective labour agreement, health and safety regulations, and the Working Hours Decree.

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

The Works Council has several rights under the Dutch Works 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 fulfill 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.

Financial reporting controls

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

a manner that is similar to how US-registered companies tend to apply Sarbanes-Oxley 404. Rabobank Group is under no obligation to do this, since it is not registered with the US Securities and Exchange Commission (SEC) and is therefore not subject to the related regulations and 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 ensures Rabobank Group's high-quality financial reporting.

Internal controls

Rabobank Group uses internal controls to provide reasonable assurance that:

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

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

Dutch Banking Code

Background

The financial crisis that began in mid-2007 led to a profound social debate on the performance of financial institutions. In the Netherlands, the 'Commissie Toekomst Bankwezen' (Advisory Committee on the Future of Banks) took the lead in this debate by publishing a report entitled 'Naar herstel van vertrouwen' (Restoring trust) on 1 April 2009. The banking industry held various 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. It 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.

The second report of the Banking Code Monitoring Committee was published at the end of 2012. The Committee's principal conclusion was that banks generally act in compliance with the Code, but that compliance is not yet promoted enough by the banking sector. Rabobank therefore aims to increase public awareness of the Banking Code in 2013. 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 by Rabobank 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 the corporate website www.rabobank.com/annualreports.

Scope of 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 and group entities

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. Friesland Bank merged with Rabobank in 2012. It will be some years before Friesland Bank has been fully integrated into the organisation. Because of the integration process, Friesland Bank is unable to apply all the principles of the Banking Code. It does not comply with sections 2.1.5, 2.1.8, 2.1.9, 2.1.10, 2.2.1, 3.1.3, 3.1.4, 3.1.6, 3.2.2, 3.2.3, 4.1 and 4.2 of the Banking Code (see the separate appendix to this Annual Report that can be viewed on the corporate website www.rabobank.com/annualreports).

Customer interests and risk management as guiding principles

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

Governance: Executive Board

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

Treating Customers Fairly

Being a cooperative, Rabobank places customer interests at the heart of its service provision. It is Rabobank's ambition to provide customers with the best possible service, while exercising due care and treating them fairly. This has been enshrined in the Rabobank Group Code of Conduct and the Rabobank Ambition Statement. Rabobank has a cooperative structure with independent banks that recognised and valued by their customers as being committed, nearby and trend-setting in their service offering. In the cooperative model of Rabobank, local Rabobanks are directly accountable to customers through member councils. In addition, the local Supervisory Committees oversee the actions of the Rabobank's to ensure that they are in the customers' best interests. These are the essential aspects of the local governance at local Rabobanks that guarantee customer focus.

At group level, representatives of local Management Teams and Supervisory Committees decide on the policies pursued by Rabobank Nederland, and the Executive Board is accountable to these representatives. As a result, the voice of the customer is heard in group-level decisions as well.

To underscore its ambition to provide customers with the best possible service and to treat them fairly, Rabobank launched Customer Care, an internal programme, in 2008. In 2010, Rabobank formulated clear principles for four key deliverables: appropriate advice, good products, service excellence and a balanced advisory model. This framework will be evaluated and fine-tuned in 2013.

Treating Customers Fairly (TCF) was also a priority for the Executive Board of Rabobank Nederland in 2012. At the beginning of the reporting year, a new broadly based TCF taskforce was installed at group level to promote the principle and monitor progress. Management information about customer surveys, complaints, product reviews and feedback from the Netherlands Authority for the Financial Markets (AFM) continually drives improvements. In 2012, activities in the area of Treating Customers Fairly were reported on a quarterly basis for each department. Progress in this area was discussed at Executive Board and Supervisory Board level, based, in part, on reports of Rabobank Group Audit and Group Compliance.

At local Rabobank level, each Management Team has management information available on the quality of the advisory services that are provided by the bank and on customer satisfaction. This information is based, for instance, on internal audits, customer satisfaction surveys and complaints handling. In addition, the local Compliance Officer reviews whether or not customers are being treated with due care. The local Supervisory Committee monitors the local Management Team based, in part, on this information.

The product approval committee, which has been operational since 2004, monitors the quality of the products, their benefits for the customer, their safety and the quality of the information provision. Rabobank's products and those of third parties are not added to the product range until they meet the criteria defined by this committee.

For everyone who works at Rabobank, knowledge of the bank's founding principles provides guidance in their day-to-day activities. The employees of the local Rabobanks and Rabobank Nederland aim to provide top-quality, carefully weighed services. The performance targets agreed with them are balanced, and the performance management system used within Rabobank means that variable pay is restrained. Customer focus and teamwork have been compulsory competencies in the performance management framework for many years. This begins at the level of communication with the labour market and in job ads. The induction programmes for new employees pay plenty of attention to Rabobank's core values of respect, integrity, professionalism and sustainability. A balanced set of performance targets is agreed with each employee. Employees who have direct or indirect contact with clients always have an explicit TCF target. Their performance is rated based on the level to which they are concerned with treating customers fairly. Rabobank uses 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 treating customers fairly. 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 as early as in 2010, 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, Rabobank needs to demonstrate in our day-to-day conduct in particular that Rabobank acts in accordance with the spirit of these principles. In 2013, the members of the Executive Board and the Supervisory Board will sign the new moral and ethical declaration as required by law.

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 courses are taught by both internal and external experts. In 2012, the Executive Board educated itself about such topics as risk management, operational and reputational risk, information security, pensions, operational excellence/straight-through processing (STP) and Treating Customers Fairly (TCF). In addition to the continuing education curriculum, newly appointed executive directors are offered a customised 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 as supervisory directors at Rabobank. A training programme is set up for supervisory board members annually. The selection of topics takes account of current developments and the expertise required within the Supervisory Board. In 2012, continuing education sessions were

organised about issues including risk management, the workings of, and developments in, short-term funding markets, back-testing, operational and reputational risk, information security, pensions, operational excellence/straight-through processing (STP), Treating Customers Fairly, funding, asset and liability management, and solvency. Individual job profiles are drawn up for all vacancies on the Supervisory Board, including openings for the position of Chairman. The profiles describe aspects such as 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 2012 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 appetite stems from the sound objectives of stability and solidity that Rabobank has pursued for many years. Moreover, Rabobank was also found to have controlled risks effectively during the recent period of economic and financial turmoil, and continues its efforts to shore up the quality of risk management practices and the risk culture within the organisation. In stepping up risk management in 2012, top-down and bottom-up risk assessments and various stress tests were performed that included a more integrated analysis of the different risk categories. A separate 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, which was drafted as early as in 2010, is 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 amendments are made. Following on from the risk appetite at group level, separate risk appetite papers were prepared for all material group operations. The risk appetite cycle was further improved in 2012 by setting up a monitoring process for comparing the risk profile to the defined risk appetite. This process will be subject to continued development over the coming period.

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. The entire product offering is periodically tested against current standards; in this process, it is determined whether the products still meet the needs of customers and are in their best interests. In this way, Rabobank is taking responsibility for its relationship with customers and for the level of quality it offers. 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 Audit Rabobank Group (ARG), 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 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 and/or its Chairman. Tripartite talks between the external auditor, the Dutch Central Bank (DNB) and Rabobank (including ARG) are held at least once a year. The matters that come up for discussion at these meetings include risk assessments, the audit plan and audit findings. The Annual Report includes a statement by the Executive Board to the effect that the internal risk management and control systems are designed such that the financial 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 its strategy, chosen risk profile, cooperative identity and core values. The remuneration policy is in keeping with a customer-oriented approach and takes account of Rabobank's long-term interests, the international context of the markets in which Rabobank operates, and acceptance 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 2012, 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

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 members of the Executive Board appointed after 1 January 2010 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 responsibility²²

P.W. Moerland (Piet)

Chairman

- Group Audit
- Compliance
- Legal and Tax
- Knowledge and Economic Research
- Communications
- Corporate Secretary's Office
- Human Resources Rabobank²³
- Cooperative & Sustainability²³



A. Bruggink (Bert)

CFO

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



B.J. Marttin (Berry)

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



S.N. Schat (Sipko)

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



J.A.M. van der Linden (Hans)

As from 1 December 2012²⁴

- Private Clients
- Private Banking
- Group ICT
- Corporates²³
- Operations Management²³



Company Secretary

L.A.M. Dinkhuijsen (Rens)

²² As at 1 February 2013.

²³ These areas of responsibility were those of Gerlinde Silvis, who stood down from the Executive Board with effect from 25 January 2013.

²⁴ These were Piet van Schijndel's areas of responsibility until 1 December 2012. Mr Van Schijndel retired on 30 November 2012.

Supervisory Board of Rabobank Nederland

Members of the Supervisory Board

Name	Position	First appointed in	Term of service scheduled to expire in
L. Koopmans (Lense)	Chairman	2002	2013
A.J.A.M. Vermeer (Antoon)	Deputy Chairman	2002	2014
M.J.M. Tielen (Martin)	Secretary	2002	2013
I.P. Asscher-Vonk (Irene)	Deputy Secretary	2009	2013 ²⁵
B. Bijvoet (Bernard)	member	2002	2012 ²⁶
A. de Bruijn (Tom)	member	2009	2013 ²⁵
L. Degle (Leo)	member	2012	2016
W. Dekker (Wout)	member	2010	2016
L.O. Fresco (Louise)	member	2006	2014
S.L.J. Graafsma (Leo)	member	2010	2014
E. van de Merwe (Erik)	member	2010	2016
M. Minderhoud (Rinus)	member	2002	2014
C.P. Veerman (Cees)	member	2007	2015

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 Nederland²⁷

A.J. Blok (Arjo)	Global Financial Markets
J.J. Bos (Jan)	Group Control
R.J. Dekker (Ralf)	Rabobank International
P.H.J.M. Dirken (Paul)	Corporates
D. Duijzer (Dirk)	Cooperative & Sustainability
P.C.A.M. Emmen (Pieter)	Group Risk Management
A.J. Gillhaus (Ab)	Credit Risk Management
R.A.C. Kemna (Rob)	Operations Management
R.P. Kleijwegt (Rudi)	Compliance
A.M. Kloosterman (Lex)	Rabobank International
H.A.J.M. Knebel (Harold)	Rabobank Professional Cycling Team ²⁸
J.H.P.M. van Lange (Jos)	Rabo Real Estate Group
P.W. Mol (Pim)	Private Banking
J.L. van Nieuwenhuizen (Jan)	Rabobank International
H. op den Brouw (Rik)	Private Clients
J.A. Pruijs (Sander)	Rabobank International
J.H. de Roo (Harry)	Rabobank International
A.G. Silvis (Gerlinde)	Human Resources Rabobank ²⁹
R.A. Steenvoorden (René)	Group ICT
M. van der Struis (Rinus)	Group Audit
J. van Veenendaal (Jan)	Legal and Tax
F. Weenig (Fred)	Rabobank International
R.J. van Zadelhoff (Rob)	Rabobank International

CEOs of key subsidiaries

J. Bartkiewicz (Jacek)	Bank BGZ
P.C. Keur (Peter)	Rabo Real Estate Group ³⁰
G.A. Mos (Gerbert)	Schretlen
R.M.S.M. Munsters (Roderick)	Robeco
J.A. Pruijs (Sander)	ACC Bank
R.A.M. Slaats (Ronald)	De Lage Landen
R. Touwslager (Ronald)	Obvion

²⁵ Ms Asscher-Vonk and Mr De Bruijn are scheduled to retire by rotation in 2013.

²⁶ Mr Bijvoet resigned on 14 June 2012 after having reached the end of his term of office.

²⁷ As at 1 February 2013.

²⁸ Up to and including 31 December 2012.

²⁹ As from 1 April 2013.

³⁰ Acting CEO from 1 December 2012.

Report of the Supervisory Board of Rabobank Nederland

The Supervisory Board experienced 2012 as a turbulent year. The market showed further decline, not least in the Netherlands, our home turf. The financial markets continued to be plagued by uncertainty and customers were hesitant to apply for loans. Although Rabobank's earnings were lower than before in this harsh economic climate, the bank's solvency and liquidity positions nevertheless continue to be robust. Given the current market, the Supervisory Board is not unhappy with the financial performance for 2012. Expectations for 2013 are in keeping with those of the Executive Board. Rabobank is one of the strongest banks in the world.

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 2012 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 external auditors, and took note of the unqualified external auditor's report that Ernst & Young Accountants LLP issued on the financial statements 2012. The Supervisory Board would ask the General Meeting of Rabobank Nederland to adopt the financial statements 2012 and the proposed profit appropriation.

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 endorses these provisions for good governance in the financial sector. The Supervisory Board agrees with what has been described in these two chapters.

Supervisory Board of Rabobank Nederland

The members of the Supervisory Board have been listed in the chapter 'Management'. 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 aspects of corporate social responsibility that are relevant to Rabobank.

Remuneration of the Supervisory Board

In 2012, 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. In accordance with the retirement schedule, Mr Dekker, Mr Van de Merwe and Mr Bijvoet were due to retire by rotation in 2012. They were available for re-appointment to the Supervisory Board. Mr Dekker and Mr Van de Merwe were prepared to accept a new term of office on the Supervisory Board and were nominated for re-appointment, while Mr Bijvoet decided to step down. The Supervisory Board would thank Mr Bijvoet sincerely for his input over the past years. In addition, Mr Degle was nominated for appointment to the Supervisory Board of Rabobank Nederland as of 15 September 2012. On 14 June 2012, the General Meeting of Rabobank Nederland resolved to re-appoint Mr Dekker and Mr Van de Merwe to the Supervisory Board of Rabobank Nederland and to appoint Mr Degle as a member as of 15 September 2012.

Keeping in touch with 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 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. Given the importance of these bodies in Rabobank's cooperative model, the members of the Supervisory Board spend much time attending Regional and Central Delegates Assemblies. In addition, the Supervisory Board invites directors and managers of Rabobank Nederland to educate them about relevant topics during meetings. By doing so, the members of the Supervisory Board keep in touch with developments at key stakeholders of Rabobank Nederland.

As part of their continuing education programme, the members of the Audit, Compliance & Risk Committee (ACRC) attended several sessions in 2012 to learn about workings of, and developments in, short-term funding markets, back-testing of the mortgage portfolio and the SME portfolio, back-testing of market risk, operational and reputational risk, Treating Customers Fairly (TCF), risk management (i.e. the structure of risk management, the risk management cycle, the three lines of defence model, credit risk management and risk management audits), funding, asset and liability management and solvency.

The Supervisory Board also took a continuing education course about information security in 2012. Guest and internal speakers explained developments and threats in the area of information security and elaborated on Rabobank's response to these threats. In addition, the Supervisory Board learned about operational excellence and straight-through processing (STP) in a separate session. Various internal and external experts talked about the importance of STP to banks and the advantages of this tool for customer service. In addition, in its regular meetings and in its committees, the Supervisory Board frequently speaks with the Executive Board about the bank's duty of care, risk management, financial reporting, audits and key compliance issues. The Supervisory Board members address relevant developments at Rabobank and in the financial sector in all its meetings, as well as educating themselves and the committees about a wide range of topics.

Meeting frequency

The Supervisory Board met 13 times in 2012. Besides one supervisory director who struggled with health issues, not one member was repeatedly absent from these meetings in 2012. The Supervisory Board has five committees. The Audit, Compliance & Risk Committee met ten times in the year under review, the Cooperative Affairs Committee met five times, the Appointment Committee met five times and Remuneration Committee met six times. The Appeals Committee was convened once in 2012.

Activities of the Supervisory Board in 2012

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. In 2012, the Supervisory Board took its leave of a retiring Mr Van Schijndel. The Board would like to take this opportunity to thank Mr Van Schijndel for all the efforts he put in for Rabobank Group over many years. Also the Supervisory Board appointed Mr Van der Linden to the Executive Board of Rabobank in his place. Regular topics for discussion and approval were the annual and the interim figures; operational and financial targets, strategy, earnings, corporate social responsibility, and the risks associated with the business were subject to in-depth discussion 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 material changes in those systems. Other issues that were considered included the effectiveness of the compliance function in place at Rabobank Group and the design and effectiveness of the assigned compliance duties, the increased focus on Treating Customers Fairly and the relationship with the local Rabobanks. The Supervisory Board talked at length about ICT issues every six months. In all its meetings, the Supervisory Board exchanged thoughts with the Executive Board about aspects relating to compliance with laws and regulations, including the rules for customer integrity. In addition, the members of the Supervisory Board and the members of the Executive Board discussed the communication policy and reputation management.

The Supervisory Board approved an update of the Risk Appetite Paper on the recommendation of the Audit, Compliance & Risk Committee. In addition, the Executive Board discussed with the Supervisory Board its vision of identified top risks and the mitigation measures that have been, or will be, taken to neutralise these risks.

In 2012, the Supervisory Board approved the appointment of a number of executives at Rabobank Nederland and ratified some other top appointments at Rabobank Group. The Group Remuneration Policy (GRP) and the Vision of Remuneration underwent marginal adjusting and tweaking in 2012, and they were adopted by the Supervisory Board after having been discussed with the Executive Board and advised on by the Remuneration Committee. As part of the GRP, the Supervisory Board had an in-depth discussion about remuneration policy with the Executive Board and approved aspects relating to the variable pay of identified staff and a number of exceptions to the GRP. The Supervisory Board also addressed the 2011 version of the Annual Whistleblower Report in 2012.

With a view to new regulations, including the Competence Policy Rule 2012 of the Dutch Central Bank (formerly the Expertise Policy Rule 2011) and the EBA Guidelines on Suitability, it was decided to change the profile for the members of the Executive Board. The Supervisory Board has adopted the revised profile.

In all its meetings, the Supervisory Board speaks with the Executive Board about the situation on the financial markets and developments in Rabobank's credit ratings and financial developments at Rabobank. The Supervisory Board, and its Special LIBOR Committee in particular, regularly met with the Executive Board in 2012 to discuss the status of the investigations by international regulators into the rate-setting practices for LIBOR and EURIBOR of a number of banks, including Rabobank. The Supervisory Board also received regular updates in 2012 of the status of the implementation of SEPA, the new European payment standard, in the processes and systems of Rabobank.

The Supervisory Board educated itself in 2012 about the drought in the United States and its impact for Rabobank customers. In addition, the Supervisory Board teamed up with the Executive Board in 2012 to explore the strategic options for Rabobank's operations in Indonesia.

Priorities of Supervisory Board in 2012

Financial statements 2011, Interim Report 2012 and budget for 2013

The Supervisory Board discussed at length the Annual Report 2011 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 response, was also talked about in detail in the presence of both the internal auditor and the external auditor. In addition, the Supervisory Board extensively reviewed the Interim Report 2012 of Rabobank Group and discussed the budget for 2013, which was approved. Furthermore, the Supervisory Board

approved the Annual Plan and the Rabobank Nederland Budget for Supporting Member Banks 2013. The funding mandate for 2013 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.

Strategic Framework 2013-2016

Early in 2012, the Supervisory Board organised an extra session with the Executive Board to discuss the Strategic Framework 2013-2016. During this session, the Supervisory Board invited the Executive Board to explain, and the Executive Board asked the Supervisory Board to advise on, what would be the best tactic for Rabobank to use to address, in its own specific way, the strategic challenges that present themselves as a result of the changes in the financial world and the more stringent regulatory requirements. Once it had been brought up, this topic was on the table in every subsequent meeting of the Supervisory Board. Another separate in-depth session was devoted to the Strategic Framework 2013-2016 the summer of 2012. The Strategic Framework was adopted by the Central Delegates Assembly in September 2012.

Friesland Bank

Early in 2012, the Supervisory Board approved the merger between Friesland Bank and Rabobank in the spring of 2012 after having discussed issues such as the financial impact, the potential risks and the implications of the integration process, including the amalgamation of the customer base, workforce, branches and operations of Friesland Bank into the network of local Rabobanks in the Netherlands over a transitional period of about two years.

European debt crisis

In 2012, the Supervisory Board met frequently with the Executive Board to discuss the European debt crisis and its impact on Rabobank and its customers. The members of the Supervisory Board kept a close eye on the financial markets. In-depth discussions took place with the Executive Board about the steps taken and to be taken by Rabobank in this regard. The various stress tests that Rabobank performed were debated extensively. The Supervisory Board established in this process that the core tier 1 ratio comfortably met the relevant requirements. The Supervisory Board and the Executive Board also talked at length about the impact of measures announced by regulators and the government, and the risks attaching to this accumulation of rules.

New rating methods used by Standard & Poor's and Moody's

The Executive Board informed the Supervisory Board at an early stage that rating agencies Standard & Poor's and Moody's had announced the introduction of new rating systems that might affect Rabobank's ratings. The Supervisory Board sees Rabobank's stability and strong creditworthiness reflected in the new ratings.

ICT

In connection with the increasing importance of efficient and effective ICT systems to the provision of financial services to customers, 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, the Supervisory Board exchanged thoughts with the Executive Board about such issues as the stability of the IT infrastructure, several security aspects, the prevention of cybercrime in general and the cyber-attacks that Rabobank suffered in 2012.

Divestments

In November 2011, agreement was reached with Safra about the sale of Rabobank's equity interest in Swiss-based bank Sarasin. The Executive Board discussed this transaction extensively with the Supervisory Board. The sale was completed in 2012. A purchase agreement with Japanese financial services provider Orix for the sale of Robeco was signed in February 2013. The Executive Board and the Supervisory Board also talked extensively about this step.

Investments

The Supervisory Board approved Rabobank's acquisition of nearly all outstanding shares in Polish-based Bank BGZ in the summer of 2012. After having consulted with the Executive Board, the Supervisory Board agreed to the acquisition of the remaining shares in Obvion from Stichting Pensioenfond ABP, the other shareholder.

Re-appointment of external auditor

On the recommendation of the ACRC, the Supervisory Board decided in 2012 to nominate the external auditor for re-appointment to the General Meeting for the audit years 2013, 2014 and 2015. The General Meeting passed a resolution to re-appoint the external auditor on 14 June 2012.

Sustainability

The Supervisory Board attaches great value to Rabobank's focus on its customers and its commitment to society, and is acutely aware of the responsibility that comes with delivering on this promise and being a sustainable bank in the broadest sense of the word. The Cooperative Affairs Committee took an advisory role in the reporting period in reviewing several sustainability-related issues and exchanging ideas about these issues with the Executive Board. Sustainability also came up for discussion in several plenary meetings between the Supervisory Board and the Executive Board. The Supervisory Board is happy that corporate social responsibility continued to be embedded in Rabobank's service provision in 2012, which was declared the International Year of Cooperatives by the United Nations.

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 Supervisory Board approves the remuneration policy for senior management and supervises its execution by the Executive Board. In the context of risk management and in order to put into practice the principle of 'pay for performance, not for failure', employees are not automatically awarded variable pay. New recruits can be awarded a welcome bonus, for their first year only, to compensate for lost bonuses, deferred or otherwise, from their former employer. Any welcome bonus is subject to the full risk alignment cycle. Severance pay is to reflect the performance of employees, rather than rewarding them for failure. 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 remuneration of the members of the Executive Board is benchmarked every year. This benchmark shows that the remuneration is relatively modest. The Executive Board members' variable pay is limited, both compared to their basic pay and to the market. The variable pay is based on a number of quantitative, qualitative, individual and collective targets to be achieved in the long and short term. The variable pay of the members of the Executive Board is no more than 30% of their basic pay. It has been decided not to award variable pay for 2012. At least 60% of the variable pay is initially awarded on a conditional basis, only to vest after three years. A number of highly specialised employees at Rabobank International and subsidiaries with foreign operations only are awarded higher variable pay; they are governed by the same vesting scheme as that in effect for the Executive Board. This procedure is in keeping with the remuneration practices that are commonly used for these types of employees worldwide. Rabobank does not currently have a remuneration structure that might trigger irresponsible risk-taking, nor has it had such a remuneration structure in the past.

Executive remuneration

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 pay for each member of the Executive Board on the basis of their performance appraisal in 2011. After having been reviewed by the Supervisory Board, the full remuneration report 2011 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 pay 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 (DNB) and the Authority for the Financial Markets (AFM).

In 2012, the remuneration of the members and former members of the Executive Board of Rabobank Nederland amounted to EUR 11.5 (10.3) million in total. This amount can be broken down as follows:

in millions of euros	2012	2011
Salaries	6.9	7.0
Pension charges	1.6	1.6
Performance-related payments awarded	0.2	1.7
Surrender of remuneration component	2.8	-
<i>Total</i>	<i>11.5</i>	<i>10.3</i>

Performance-related payments awarded are EUR 0.2 (1.7) million. The Supervisory Board has decided not to award any variable pay for the performance year 2012. The Executive Board has expressed its agreement. The payment in 2012 for performance year 2011 was higher by EUR 0.2 million than the expense item recognised in 2011. The surrender of remuneration component is the one-off surrender of a remuneration component that was primarily designed for early retirement, respectively as a pension supplement. The total fixed pay of the members of the Executive Board (the 'Salaries' item) will drop as of 1 January 2013 as a result. The amounts listed in the table are exclusive of the one-off tax of 16% that is imposed on wages from current employment in excess of EUR 150,000; this tax liability was EUR 1.4 million.

Self-assessment

The Supervisory Board reviews its own performance and that of the separate committees on an ongoing basis. It will also have its performance in 2012 evaluated in a full-scope independent assessment. The commitment of each supervisory director, the culture within the Supervisory Board, the actions and conduct of the individual members of the Supervisory Board and the relationship between the Supervisory Board and the Executive Board are part of this assessment. In addition, the Chairman has one-on-one meetings with each of the members of the Supervisory Board periodically to assess the performance of the Supervisory Board as a whole and that of the member in question. These forms of self-assessment are used to bring about improvements in the performance of the Supervisory Board and that of the individual supervisory directors, and to undertake individual or collective efforts to improve the members' knowledge where necessary. Key issues in the performance assessment are the degree to which the Supervisory Board, its committees and its individual members comply with the chosen profile, the composition and the availability of the required competencies of the Supervisory Board and of the separate committees, and the supervisory directors' attendance of Supervisory Board meetings and their input into these meetings. The range of competencies represented is supplemented through new appointments as appropriate.

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

Suitability requirements imposed by Dutch Central Bank

In 2012, the member of the Supervisory Board of Rabobank Nederland underwent a suitability check in accordance with the new requirements imposed by the Dutch Central Bank (DNB). Based on its findings and the recommendations of the Netherlands Authority for the Financial Markets (AFM), DNB issued a positive opinion on all supervisory directors of Rabobank Nederland whose suitability was checked.

Good response to economic downturn

The Supervisory Board is pleased with how Rabobank Group managed to counter the ramifications of the challenging financial and economic conditions, and would like to take this opportunity to thank the Executive Board 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 (until 14 June 2012)
L.N. Degle (from 15 September 2012)
W. Dekker (from 20 September 2012)
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 2011, the Interim Report 2012 and the budget for 2013. 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 allowance for loan losses, the effectiveness of the internal control and risk management systems, credit, market and operational risk, concentration risk, systemic risk, country risk, new ratings and their implications for Rabobank, fee policy and funding options.

The ACRC devoted frequent attention in 2012 to the European debt crisis and its impact on Rabobank Group, the implementation of rules on 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 eurozone, their financial and economic impact, and the economic outlook. The ACRC also thoroughly addressed efforts to shore up the risk management cycle and stress-testing capabilities.

As part of the Supervisory Board's intention to nominate an external auditor for appointment, the ACRC teamed up with the Executive Board to assess the performance of the incumbent external auditor. The ACRC advised the Supervisory Board to re-appoint Ernst & Young as the external auditor of Rabobank Nederland for a period of three years (audit years 2013, 2014 and 2015).

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 2011, the budget for 2013, the funding mandate for 2013, developments in 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 2013. The ACRC also educated itself extensively about the different sectors in which Rabobank has a relatively large market share. In addition, the ACRC approved the Compliance Charter. The ACRC issued a positive opinion to the Supervisory Board on the Compliance Charter. The Audit Charter was adjusted slightly and approved by the ACRC. The theme of Treating Customers Fairly (TCF) was also addressed several times. The Supervisory Board received regular updates in 2012 of the status of the implementation of SEPA, the new European payment standard, in the processes and systems of Rabobank.

The ACRC helped prepare the Supervisory Board in the process of approving the amended Risk Appetite Paper. In addition, the ACRC discussed the interim reports of Group Compliance, also addressing the compliance function at local Rabobanks, subsidiaries and foreign branches, compliance with Customer Due Diligence rules, and management of compliance risks. In 2012, the ACRC talked at length about the impact of national and international legislation, including FATCA, Dodd-Frank/Volcker, MiFID and EMIR, on Rabobank Group.

The ACRC discussed the follow-up to the findings of an earlier mortgage investigation by the Netherlands Authority for the Financial Markets (AFM), the follow-up to an earlier customer integrity investigation by the Dutch Central Bank (DNB), and the outcome of stress tests.

The ACRC approved the Rabobank Group Audit Plans 2013 of both the internal and the external auditors, and addressed the quarterly reports of the internal auditor (Group Audit). As part of the annual procedure, the ACRC also met with the external auditor and Group Audit without the Executive Board being present. The performance of the ACRC was assessed in the context of the full-scope and independent assessment of the performance of the Supervisory Board and its committees for 2012.

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 the Executive Board's policy plans for cooperative issues affecting the local Rabobanks and Rabobank Nederland. This Committee also makes preparations for the Supervisory Board's discussion of policy documents involving corporate social responsibility (CSR).

In 2012, the issues looked at by the CAC included developments at Rabo Development, the suitability check for members of Supervisory Committees at local level and the moral and ethical declaration. Other areas of focus were the Strategic Framework 2013-2016 and the co-making groups. In addition, further developments in sustainability policy were the subject of extensive debate. The CAC also talked about the sustainability sections of various reports and of the Annual Report 2011, and exchanged ideas with the Executive Board about the further implementation of sustainability targets in the bank's operations.

The CAC spoke several times about Rabobank's role and position as a global food and agri bank, the bundling of food and agri knowledge at Rabobank, global food security, management of the global food chain, and Rabobank's role in these issues. The CAC also explored the design and effectiveness of the Rabobank Project Fund and learned about Rabobank's engagement philosophy.

Finally, the CAC spoke about how Rabobank gave interpretation to 2012 having been declared the International Year of Cooperatives 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. In 2012, the Committee prepared the appointment of Mr Van der Linden to the Executive Board of Rabobank Nederland. He replaced Mr Van Schijndel after his retirement on 1 December 2012. The Committee also advises the Supervisory Board on senior management appointments at Rabobank Nederland and its affiliated entities, and addresses the full spectrum of 'management and talent' issues in preparation of their discussion in Supervisory Board meetings.

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. Operating within the parameters of the remuneration policy adopted by the Central Delegates Assembly and based on the assessment by the Supervisory Board of the performance of the Executive Board and its individual members, the Remuneration Committee conducted an extensive review in 2012 of the remuneration proposals (including those for variable remuneration) 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 DNB's 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, *Deputy Chairman*
 S.L.J. Graafsma
 A. de Bruijn

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. In 2012, one dispute was referred to the Appeals Committee, which issued its advisory opinion to all members of the Supervisory Board.

Utrecht, the Netherlands, 25 February 2013

The Supervisory Board

Annual figures

Consolidated statement of financial position

in millions of euros	At 31 December 2012	At 31 December 2011
Assets		
Cash and cash equivalents	68,103	70,430
Due from other banks	35,386	25,221
Trading financial assets	6,387	8,112
Other financial assets at fair value through profit or loss	5,911	7,015
Derivative financial instruments	65,423	58,973
Loans to customers	485,299	468,085
Available-for-sale financial assets	50,425	51,930
Held-to-maturity financial assets	-	109
Investments in associates	3,649	3,340
Intangible assets	2,343	2,802
Property and equipment	6,500	6,132
Investment properties	1,489	784
Current tax assets	597	571
Deferred tax assets	621	995
Other assets	11,939	12,210
Non-current assets held for sale and discontinued operations	8,338	14,956
Total assets	752,410	731,665

in millions of euros	At 31 December 2012	At 31 December 2011
Liabilities		
Due to other banks	27,059	26,259
Due to customers	334,271	329,892
Debt securities in issue	223,336	213,441
Derivative financial instruments and other trade liabilities	74,800	64,931
Other debts	9,950	8,422
Other financial liabilities at fair value through profit or loss	24,091	25,889
Provisions	752	765
Current tax liabilities	205	324
Deferred tax liabilities	696	893
Subordinated debt	5,407	2,413
Liabilities held for sale and discontinued operations	7,216	13,435
<i>Total liabilities</i>	<i>707,783</i>	<i>686,664</i>
Equity		
Equity of Rabobank Nederland and local Rabobanks	27,858	26,500
Equity instruments issued directly		
Rabobank Member Certificates	6,672	6,614
Capital Securities	7,114	7,645
	<i>41,644</i>	<i>40,759</i>
Equity instruments issued by subsidiaries		
Capital Securities	236	167
Trust Preferred Securities III to VI	1,340	1,399
	<i>1,576</i>	<i>1,566</i>
Other non-controlling interests	1,407	2,676
<i>Total equity</i>	<i>44,627</i>	<i>45,001</i>
<i>Total equity and liabilities</i>	<i>752,410</i>	<i>731,665</i>

Consolidated statement of income

in millions of euros	For the year ended 31 December	
	2012	2011
Interest income	21,702	21,299
Interest expense	12,605	12,125
<i>Interest</i>	<i>9,097</i>	<i>9,174</i>
Commission income	2,553	2,726
Commission expense	347	365
<i>Fees and commission</i>	<i>2,206</i>	<i>2,361</i>
Income from associates	255	(20)
Net income from financial assets and liabilities at fair value through profit or loss	823	657
Gains/(losses) on available-for-sale financial assets	114	(174)
Other income	957	708
<i>Income</i>	<i>13,452</i>	<i>12,706</i>
Staff costs	5,325	4,862
Other administrative expenses	2,979	2,850
Depreciation	527	540
<i>Operating expenses</i>	<i>8,831</i>	<i>8,252</i>
Value adjustments	2,350	1,606
Bank tax	196	-
<i>Operating profit before taxation</i>	<i>2,075</i>	<i>2,848</i>
Taxation	160	355
Net profit from continuing operations	1,915	2,493
Net profit from discontinued operations	197	134
<i>Net profit</i>	<i>2,112</i>	<i>2,627</i>
Of which attributable to Rabobank Nederland and local Rabobanks	897	1,549
Of which attributable to holders of Rabobank Member Certificates	328	315
Of which attributable to Capital Securities	717	612
Of which attributable to Trust Preferred Securities III to VI	75	73
Of which attributable to other non-controlling interests	95	78
<i>Net profit for the year</i>	<i>2,112</i>	<i>2,627</i>

Consolidated statement of comprehensive income

in millions of euros	For the year ended 31 December	
	2012	2011
Net profit	2,112	2,627
Arising in the period (after taxation):		
<i>Foreign currency translation reserves</i>		
Currency translation differences	(249)	92
<i>Revaluation reserve - Available-for-sale financial assets</i>		
Currency translation differences	21	(31)
Changes in associates	59	(13)
Fair value changes	393	(265)
Amortisation of reclassified assets	55	73
Transferred to profit or loss	(201)	281
<i>Revaluation reserve - Associates</i>		
Fair value changes	(16)	(38)
<i>Revaluation reserve - Cash flow hedges</i>		
Fair value changes	145	513
Transferred to profit or loss	7	(607)
<i>Non-controlling interests</i>		
Currency translation differences	(5)	26
Revaluation reserve - Available-for-sale financial assets	22	(11)
<i>Total other comprehensive income</i>	<u>231</u>	<u>20</u>
<i>Total comprehensive income</i>	<u>2,343</u>	<u>2,647</u>
Of which attributable to Rabobank Nederland and local Rabobanks	1,111	1,554
Of which attributable to holders of Rabobank Member Certificates	328	315
Of which attributable to Capital Securities	717	612
Of which attributable to Trust Preferred Securities III to VI	75	73
Of which attributable to other non-controlling interests	112	93
<i>Total comprehensive income</i>	<u>2,343</u>	<u>2,647</u>

Consolidated statement of changes in equity

in millions of euros	Equity of Rabobank Nederland and local Rabobanks	Equity instruments issued directly	Equity instruments issued by subsidiaries	Other non-controlling interests	Total
At 1 January 2012	26,500	14,259	1,566	2,676	45,001
Net profit	897	1,027	93	95	2,112
Total other comprehensive income:					
Foreign currency translation reserves	(249)	-	-	(5)	(254)
Revaluation reserve - Available-for-sale financial assets	327	-	-	22	349
Revaluation reserve - Associates	(16)	-	-	-	(16)
Revaluation reserve - Cash flow hedges	152	-	-	-	152
<i>Total comprehensive income</i>	<i>1,111</i>	<i>1,027</i>	<i>93</i>	<i>112</i>	<i>2,343</i>
Payment on Rabobank Member Certificates, Trust Preferred Securities III to VI and Capital Securities	-	(1,027)	(93)	-	(1,120)
Redemption of Capital Securities	(26)	(522)	-	-	(548)
Increase in equity interests in Obvion and BGZ	124	-	-	(591)	(467)
Disposal of Sarasin	-	-	-	(661)	(661)
Exchange of Rabobank Extra Member Bonds	-	225	-	-	225
Rabobank Member Certificates redeemed during the year	-	(167)	-	-	(167)
Other	149	(9)	10	(129)	21
<i>At 31 December 2012</i>	<i>27,858</i>	<i>13,786</i>	<i>1,576</i>	<i>1,407</i>	<i>44,627</i>
At 1 January 2011	24,749	4,790	8,099	3,119	40,757
Net profit	1,549	912	88	78	2,627
Total other comprehensive income:					
Foreign currency translation reserves	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)
<i>Total comprehensive income</i>	<i>1,554</i>	<i>912</i>	<i>88</i>	<i>93</i>	<i>2,647</i>
Payment on Rabobank Member Certificates, Trust Preferred Securities III to VI and Capital Securities	-	(912)	(88)	-	(1,000)
Issue of Rabobank Member Certificates and Capital Securities	-	3,033	-	-	3,033
Exchange of Rabobank Member Certificates	-	6,579	(6,579)	-	-
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)
<i>At 31 December 2011</i>	<i>26,500</i>	<i>14,259</i>	<i>1,566</i>	<i>2,676</i>	<i>45,001</i>

Consolidated statement of cash flows

in millions of euros	For the year ended 31 December	
	2012	2011
Cash flows from operating activities		
Operating profit before taxation from continuing operations	2,075	2,848
Operating profit before taxation from discontinuing operations	297	204
Adjusted for:		
<i>Non-cash items recognised in operating profit before taxation</i>		
Depreciation	527	540
Depreciation of operating lease assets and investment properties	818	782
Value adjustments	2,350	1,704
Result on sale of property and equipment	1	(3)
Income from associates	(255)	20
Fair value results on financial assets and liabilities at fair value through profit or loss	(823)	(657)
Gains/(losses) on available-for-sale financial assets	(114)	174
Non-cash items relating to discontinued operations	(32)	47
<i>Net change in operating assets:</i>		
Due from and due to other banks	(9,290)	10,315
Trading financial assets	3,662	4,667
Derivative financial instruments	(6,450)	(15,026)
Net change in non-trading financial assets at fair value through profit or loss	(2,827)	(556)
Loans to customers	(12,970)	(22,040)
Dividends received from associates and financial assets	84	76
<i>Net change in liabilities relating to operating activities</i>		
Derivative financial instruments and other trade liabilities	9,869	15,291
Due to customers	3,369	41,505
Debt securities in issue	7,144	16,622
Other debts	1,645	1,597
Income tax paid	(416)	(435)
Other changes	306	(4,822)
<i>Net cash flow from operating activities</i>	<i>(1,030)</i>	<i>52,853</i>
Cash flows from investing activities		
Acquisition of associates net of cash and cash equivalents acquired	(41)	(67)
Disposal of associates net of cash and cash equivalents	12	207
Acquisition of subsidiaries net of cash and cash equivalents acquired	3	-
Disposal of subsidiaries net of cash and cash equivalents	(297)	-
Acquisition of property and equipment and investment properties	(2,025)	(1,880)
Proceeds from sale of property and equipment	863	538
Acquisition of available-for-sale financial assets and held-to-maturity financial assets	(37,339)	(25,081)
Proceeds from sale and repayment of available-for-sale financial assets and held-to-maturity financial assets	36,974	28,760
<i>Net cash flow from investing activities</i>	<i>(1,850)</i>	<i>2,477</i>
Cash flows from financing activities		
Proceeds from issue of Capital Securities and Rabobank Member Certificates	-	2,673
Payments on Rabobank Member Certificates, Trust Preferred Securities III to VI and Capital Securities	(1,120)	(1,000)
Payments on Senior Contingent Notes and Rabo Extra Member Bonds	(102)	-
Redemption of Capital Securities	(522)	-
Increase in equity interests in Obvion and BGZ	(467)	-
Proceeds from issue of subordinated debt	2,751	-
<i>Net cash flow from financing activities</i>	<i>540</i>	<i>1,673</i>
<i>Net change in cash and cash equivalents</i>	<i>(2,340)</i>	<i>57,003</i>
Cash and cash equivalents at beginning of year	70,430	13,471
Foreign exchange differences on cash and cash equivalents	13	(44)
<i>Cash and cash equivalents at end of year</i>	<i>68,103</i>	<i>70,430</i>
The cash flows from interest are included in the net cash flow from operating activities		
Interest income	21,891	22,200
Interest expense	12,866	12,647

Business segments

in millions of euros	Domestic retail banking	Wholesale banking and international retail banking	Asset management	Leasing	Real estate	Other segments	Consolidation effects/hedge accounting	Total
For the year ended 31 December 2012								
Interest	5,180	2,775	55	952	312	(177)	-	9,097
Fees and commission	1,344	618	203	63	35	(14)	(43)	2,206
Other income	765	612	22	442	104	(372)	576	2,149
<i>Total income</i>	<i>7,289</i>	<i>4,005</i>	<i>280</i>	<i>1,457</i>	<i>451</i>	<i>(563)</i>	<i>533</i>	<i>13,452</i>
Segment expense	4,360	2,416	252	796	301	201	505	8,831
Value adjustments	1,329	621	(2)	147	237	18	-	2,350
Bank tax	91	60	2	9	8	26	-	196
<i>Operating profit before taxation</i>	<i>1,509</i>	<i>908</i>	<i>28</i>	<i>505</i>	<i>(95)</i>	<i>(808)</i>	<i>28</i>	<i>2,075</i>
Taxation	205	204	9	138	12	(415)	7	160
<i>Net profit from continuing operations</i>	<i>1,304</i>	<i>704</i>	<i>19</i>	<i>367</i>	<i>(107)</i>	<i>(393)</i>	<i>21</i>	<i>1,915</i>
Net profit from discontinued operations	-	-	197	-	-	-	-	197
<i>Net profit</i>	<i>1,304</i>	<i>704</i>	<i>216</i>	<i>367</i>	<i>(107)</i>	<i>(393)</i>	<i>21</i>	<i>2,112</i>
Business unit assets	386,039	529,778	11,369	32,737	27,920	83,721	(322,803)	748,761
Investments in associates	12	576	-	29	86	2,946	-	3,649
<i>Total assets</i>	<i>386,051</i>	<i>530,354</i>	<i>11,369</i>	<i>32,766</i>	<i>28,006</i>	<i>86,667</i>	<i>(322,803)</i>	<i>752,410</i>
Business unit liabilities	357,829	518,931	10,308	29,252	26,138	69,199	(303,874)	707,783
<i>Total liabilities</i>	<i>357,829</i>	<i>518,931</i>	<i>10,308</i>	<i>29,252</i>	<i>26,138</i>	<i>69,199</i>	<i>(303,874)</i>	<i>707,783</i>
Additions to property and equipment	181	60	2	1,650	1	98	-	1,992
Depreciation of tangible assets and amortisation of intangible assets	150	121	(2)	48	19	191	-	527
Impairment of tangible and intangible assets	9	-	-	-	-	15	-	24
Goodwill	-	737	-	464	322	-	-	1,523
For the year ended 31 December 2011								
Interest	5,218	2,957	108	778	282	(169)	-	9,174
Fees and commission	1,357	586	359	76	41	(29)	(29)	2,361
Other income	366	207	5	465	207	520	(599)	1,171
<i>Total income</i>	<i>6,941</i>	<i>3,750</i>	<i>472</i>	<i>1,319</i>	<i>530</i>	<i>322</i>	<i>(628)</i>	<i>12,706</i>
Segment expense	3,986	2,072	550	774	344	(25)	551	8,252
Value adjustments	648	686	(1)	144	129	-	-	1,606
<i>Operating profit before taxation</i>	<i>2,307</i>	<i>992</i>	<i>(77)</i>	<i>401</i>	<i>57</i>	<i>347</i>	<i>(1,179)</i>	<i>2,848</i>
Taxation	454	211	(5)	97	17	(123)	(296)	355
<i>Net profit from continuing operations</i>	<i>1,853</i>	<i>781</i>	<i>(72)</i>	<i>304</i>	<i>40</i>	<i>470</i>	<i>(883)</i>	<i>2,493</i>
Net profit from discontinued operations	-	-	134	-	-	-	-	134
<i>Net profit</i>	<i>1,853</i>	<i>781</i>	<i>62</i>	<i>304</i>	<i>40</i>	<i>470</i>	<i>(883)</i>	<i>2,627</i>
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
<i>Total assets</i>	<i>372,951</i>	<i>514,555</i>	<i>25,305</i>	<i>31,829</i>	<i>27,329</i>	<i>86,815</i>	<i>(327,119)</i>	<i>731,665</i>
Business unit liabilities	347,784	503,106	22,814	28,635	25,365	67,944	(308,984)	686,664
<i>Total liabilities</i>	<i>347,784</i>	<i>503,106</i>	<i>22,814</i>	<i>28,635</i>	<i>25,365</i>	<i>67,944</i>	<i>(308,984)</i>	<i>686,664</i>
Additions to property and equipment	177	56	2	1,441	5	87	-	1,768
Depreciation of tangible assets and amortisation of intangible assets	119	108	76	51	20	166	-	540
Impairment of tangible and intangible assets	1	100	17	-	8	-	-	126
Goodwill	1	744	376	460	322	-	-	1,903

Independent auditor's report

To the Executive Board and Supervisory Board of Rabobank Nederland

The 2012 annual figures set out on pages 106 to 112, which comprise the consolidated statement of financial position as at 31 December 2012, the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows and the condensed statement of business segments for the year then ended are derived from the audited consolidated financial statements of Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank Nederland), Amsterdam. We expressed an unqualified auditor's opinion on those financial statements in our auditor's report dated 25 February 2013.

The 2012 annual figures do not contain all disclosures required by International Financial Reporting Standards as adopted by the European Union and by Part 9 of Book 2 of the Dutch Civil Code. Reading the 2013 annual figures, therefore, is not a substitute for reading the audited consolidated 2012 financial statements of Rabobank Nederland.

Executive Board's responsibility

The Executive Board is responsible for the preparation of the 2012 annual figures in accordance with the audited consolidated 2012 financial statements and the accounting policies set out therein.

Auditor's responsibility

Our responsibility is to express an opinion on the 2012 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 2012 annual figures are consistent, in all material respects, with the audited consolidated 2012 financial statements of Rabobank Nederland and in accordance with the accounting policies set out therein.

Amsterdam, 25 February 2013

Ernst & Young Accountants LLP

/s/ C.B. Boogaart

Executive Board Responsibility Statement

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

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

Piet Moerland, Chairman

Bert Bruggink, CFO

Berry Martin, member

Sipko Schat, member

Hans van der Linden, member

Utrecht, the Netherlands, 25 February 2013

Colophon

Published by

Rabobank Nederland Communications Departments

Disclaimer

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

About the Annual Report

The Rabobank has integrated financial and CSR-related information in the Annual Report 2012 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 20 June 2013.

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

This Report has been prepared in accordance with the G3.1 Guidelines of the Global Reporting Initiative. The sustainability sections of this Report are based on the document entitled 'Sustainability report 2012 Rabobank Group'. An independent external auditor has issued an assurance report on this document, including the Sustainability facts and figures.

Annual Reports

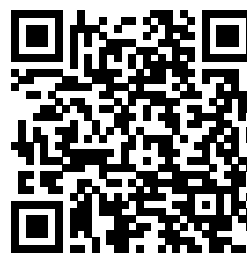
In 2013 Rabobank Group publishes the following annual reporting documents, both in English and in Dutch:

- Annual Summary 2012 Rabobank Group - Jaarbericht 2012 Rabobank Groep
- Annual Report 2012 Rabobank Group - Jaarverslag 2012 Rabobank Groep
- Consolidated Financial Statements 2012 Rabobank Group - Geconsolideerde jaarrekening 2012 Rabobank Groep
- Financial Statements 2012 Rabobank Nederland - Jaarrekening 2012 Rabobank Nederland
- Interim Report 2013 Rabobank Group - Halfjaarverslag 2013 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

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