



Annual Report 2014

Rabobank Group



Rabobank

Chairman's foreword

2014 was a positive turning point for Rabobank in many ways. After a turbulent 2013, we took important and necessary steps to restore our customers' confidence in our bank in 2014. Our nearly 52,000 employees, who have demonstrated unwavering commitment, deserve a huge compliment for this accomplishment. Above all we thank our customers and members for their loyalty to the bank.

We fully realise that we have to earn trust. It must be crystal clear that Rabobank acts first and foremost in the interests of its members and customers and the environment in which they live and work. Only then can we properly fulfil our mission to be a rooted in society. Our task is to be a financial services provider that is both financially sound and anchored in society. While we saw confidence begin to be restored in 2014, it nonetheless remained fragile. There is still a great deal to be done. Our financial results for 2014 are not unsatisfactory given the continuing difficult economic conditions and the developments of recent years. However, they are still not sufficient for the future. We have posted an underlying improvement in profit. In 2014 Rabobank continued to rank among the world's most sound and stable banks. We passed the ECB's stress test with good results. But we can do better still.

In the Annual Report, Rabobank renders accountability for the key developments in 2014. Even more than in previous years, we want the Annual Report to meet the information needs of all our stakeholders: customers, employees, financial and societal organisations. This is why the sustainability report has now been completely incorporated into the report. The next step will be to present a fully integrated report. This will be a report in which we discuss the themes that are relevant in the dialogue with our stakeholders and in which we also provide better insight into the added value Rabobank achieves locally, nationally and internationally.

Jan van Nieuwenhuizen, who is responsible for our wholesale customers in the Netherlands and abroad, joined the Executive Board in the spring of 2014. After a three-month familiarisation period, I succeeded Rinus Minderhoud as Chairman on 1 October 2014. We owe Rinus Minderhoud a great debt of gratitude for his outstanding expertise and his unfaltering dedication in leading the Executive Board during an extremely tumultuous period.

Rabobank is committed to being a leading customer-centric cooperative bank in the Netherlands and a leading food and agri bank worldwide. In order to be able to continue to fulfil this commitment, our focus looking to the future is on four directional themes that are inextricably linked. While this direction is still unfolding, it rests on foundations that have stood for more than a century. The first theme is customer focus. The Vision 2016 programme is designed to enable us to respond to changing customer needs and is leading in this respect in the Netherlands. At the heart of Vision 2016 lies the commitment to provide high-quality advice combined with continued virtualisation of services and participation in local communities. Numerous innovations were introduced in 2014 that gave shape to this customer-centric virtualisation. Vision 2016 also entails mergers of local Rabobanks and job losses. As a result we unfortunately had to lose a

number of valued employees last year, many of whom had made a meaningful contribution to our bank's development over a long period. We have also made good progress internationally within Wholesale, Rural & Retail. We have formulated our vision on the global food issue under the name Banking for Food. The world population currently stands at seven billion and large numbers of these people do not have enough to eat and drink every day. The number of people living on our planet is set to reach more than nine billion by 2050. Rabobank expressly wants to contribute towards the solution to this issue. These efforts combined to ensure that customer focus once again featured prominently on the agenda in 2014 and it will continue to do so in the years ahead.

The second directional theme is Rabobank as rock-solid bank. We are working on bringing about operational improvements for our customers and following the events of 2013 continue to place priority on internal control, integrity, compliance and risk management. With a view to the increasingly stringent capital requirements in the future, we are looking for ways to lighten our balance sheet without this coming at the expense of our customer service. We will scrutinise even more closely the profitability of our activities for the long term.

The third directional theme is the strength of a meaningful cooperative. We are exploring possibilities for adapting our structure and the governance of our cooperative organisation. The related objective is to strengthen both our cooperative and our banking business. The decision-making on adapting our governance is expected to take place in the course of 2015. As a socially responsible organisation Rabobank will play an express role in and contribute to the economic and social agenda for the Netherlands. We are setting out our contribution to sustainable development from now to 2020 under the name 'Sustainably Successful Together'. The related aim is to link our financial services, knowledge and networks in the field of sustainability with our customers' ambitions. Our worldwide focus in this area is on accelerating the development of sustainable agriculture and a sustainable food supply and strengthening the vitality of communities.

The fourth theme focuses on empowering our employees: after all, they make the bank. We got off to a flying start in 2014 with respect to bringing about our culture change. We are actively implementing the Culture Collective programme throughout the entire organisation. Our aim is to achieve even greater customer focus, transparency and entrepreneurship. Leaders from nearly all divisions of the bank participated in Culture Collective in 2014. We are actively continuing this programme in 2015. Parallel to this, we are working on a renewed approach to talent and leadership development, again with the aim of shaping one Rabobank.

2014 results

The Dutch economy recovered cautiously in 2014. We achieved net profit of EUR 1,842 million in 2014, but the underlying profit rose sharply compared to 2013. Our efficiency ratio stood at 63%. We further strengthened our capital position, which is important for our reputation as a sound bank. Our common equity tier 1 ratio amounted to 13.6% at the end of 2014 and our capital ratio stood at 21.3%. Rabobank consequently passed the stress test of the European Central Bank with good results in October 2014. The European Central Bank took over the prudential supervision from De Nederlandsche Bank on 4 November 2014. We maintain a healthy capital buffer even under the worst case scenarios. We will strengthen our buffers further in the years ahead in line with higher capital requirements. This will require us to look for solutions in order to enable us to continue to meet the credit demand from our core customers. The return on tier 1 capital at 5.2% remained far below the long-term target of 8%.

In non-financial terms the results in 2014 were not unsatisfactory either, but here again not sufficient for the future. While we see that customer satisfaction has increased somewhat, we also recognise that there is much room for improving customer service. We are working hard to make these improvements. Our ambitious innovation agenda resulted in a large number of improved and more customer-friendly products. We were able to sharply reduce debit card and online banking fraud. The availability of our online systems was high in 2014, but needs to be even higher. Above all we have taken key steps to increase our employees' customer focus. 2014 was an exceptionally difficult year for our employees. They were confronted with loss of employment and modified terms of employment. This was unfortunately unavoidable and partly why employee satisfaction has come under pressure. The bank-wide culture programme is beginning to bear fruit. The focus on the customer is proving to be inspiring. A culture in which people hold each other accountable for behaviour and performance is resulting in a more professional attitude. Our contribution to strengthening societal initiatives has remained at a high level. Greater focus is also needed in this area.

Outlook

We foresee a mixed picture for 2015 with a positive economic outlook on the one hand and on the other the realisation that it will still be a difficult year for some of our customers. It appears at this time that economic growth in the Netherlands will pick up further in 2015 and that unemployment will decrease slightly. The recent sharp drop in the price of oil and the fall in the value of the euro provide an extra boost. Due to the fact that, for the first time in years, not only exports, but also private consumption is growing in 2015, we expect all market sectors to be able to post growth. This stands in contrast to the previous years when primarily the export-oriented sectors benefited from the economic growth.

Dutch exports will benefit from higher growth in key export markets this year. The conflict in Ukraine, tensions in the Middle East and the renewed unrest surrounding Greece will remain uncertain factors in this respect. Dutch businesses will invest more due to the recovering economy. The European Central Bank announced in early 2015 that it will purchase EUR 1,140 billion in government bonds. It is still uncertain at this time whether this will provide a major impetus for the economy. It is unclear what the effect of this programme will be.

Growth in consumer spending is picking up only slowly, which means the market conditions for many businesses in the retail and hospitality sectors will remain difficult. The same applies to the construction industry, which is seeing a return to growth, but has not yet been able to repair much of the damage incurred in recent years. The group of Dutch households facing mortgage debt that is higher than the value of their home is decreasing due to the tepid rise in house prices and additional mortgage repayments. There will, however, continue to be a large group of people who will find it difficult to move house in 2015 due to this negative equity in their home. All things considered, the damage from the recession and economic slump of recent years will remain visible in large parts of the Dutch economy this year. This means that for many of our customers 2015 will prove to be another difficult year.

Achieving our ambitions for 2015 represents a great challenge for us. We are facing multiple dilemmas that are explained in greater detail in the Annual Report. Not only do we want to move full force ahead to successfully complete improvement programmes to achieve better, largely virtualised customer service at lower costs. We also have to address the numerous changes we are encountering or will encounter from supervision, regulations and governance. And at the same time we want to keep our employees, who are experiencing a greater workload and more stress, healthy and inspired.



Some of these developments detract our focus away from the customer. New organisational structures, discussions on governance, reducing the workforce or mergers of local Rabobanks tend to turn the focus more inward than outward. This is compounded by the fact that stricter capital requirements limit the financing possibilities for our customers and complex rules frustrate both our customers and our employees.

In reality there is no choice: we need all of these elements to fulfil our mission to be a bank anchored in society and focused on our customers. A bank that places itself at the service of its customers for the full one hundred percent. Whether the challenges are chosen or imposed, we must meet them all.

Wiebe Draijer,
Chairman of the Rabobank Executive Board

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Rabobank is committed to being a leading customer-centric cooperative bank in the Netherlands and a leading food and agri bank worldwide.



Empowering employees 32

Our employees have made Rabobank what it is today. Rabobank aims to foster a corporate culture of which we can all be proud.



Rock-solid bank 39

Ample capital and liquidity buffers determine financial solidity of Rabobank. Essential for a high rating and good access to professional funding.



Meaningful cooperative 104

The cooperative model forms the foundation of Rabobank. We aim to increase the vitality of the communities in which we are active.



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General note for readers

The financial information set out on pages 146 through 153 is taken from the Consolidated Financial Statements 2014 Rabobank Group' for which an unqualified independent auditor's report was issued on 31 March 2015.

This report has been prepared in accordance with the G4 Guidelines of the Global Reporting Initiative in accordance with the comprehensive option. The section of the annual report dealing with sustainability is an integral part of the annual report.

Key figures

Net profit

1,842 million euros



-8%

compared to 2013

Return on tier 1 capital

5.2%



+0.0%
point

compared to 2013

Capital ratio (BIS ratio)

21.3%

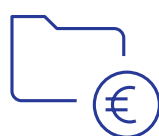


+1.5%
points

compared to
year-end 2013

Loan portfolio

430,391 million euros



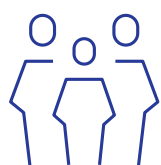
-1%

compared to
year-end 2013

Key figures					
	31-12-2014	31-12-2013	31-12-2012	31-12-2011	31-12-2010
Amounts in millions of euros	2014	2013	2012	2011	2010
Rock-solid bank					
Financial position and solvency					
Equity	38,871	38,534	42,080	45,001	40,757
Common equity tier 1 capital	28,714	28,551	29,253	28,324	27,735
Tier 1 capital	33,874	35,092	38,358	37,964	34,461
Qualifying capital	45,139	41,650	42,321	39,088	35,734
Risk-weighted assets	211,870	210,829	222,847	223,613	219,568
Profit and loss account					
Income	12,857	13,030	13,616	12,706	12,716
Operating expenses	8,055	9,760	9,003	8,252	8,196
Bad debt costs	2,633	2,643	2,350	1,606	1,234
Bank tax expense and resolution levy	488	197	196	-	-
Taxation	(161)	88	158	355	514
Net profit	1,842	2,007	2,058	2,627	2,772
Ratios					
Common equity tier 1 ratio	13.6%	13.5%	13.1%	12.7%	12.6%
Tier 1 ratio	16.0%	16.6%	17.2%	17.0%	15.7%
Capital ratio (BIS ratio)	21.3%	19.8%	19.0%	17.5%	16.3%
Equity capital ratio	14.4%	16.1%	15.3%	14.7%	14.2%
Leverage ratio	4.9%	4.8%	4.7%	-	-
Loan-to-deposit ratio	1.33	1.35	1.39	1.38	1.49
Return on tier 1 capital	5.2%	5.2%	5.4%	7.6%	8.6%
Efficiency ratio	62.7%	74.9%	66.1%	64.9%	64.5%
Net profit growth	-8.2%	-2.5%	-21.7%	-5.2%	25.5%
Return on assets	0.28%	0.27%	0.28%	0.40%	0.46%
Ratings					
Standard & Poor's	A+	AA-	AA-	AA	AAA
Moody's Investors Service	Aa2	Aa2	Aa2	Aaa	Aaa
Fitch Ratings	AA-	AA-	AA	AA	AA+
DBRS	AA (high)	AAA	AAA	AAA	AAA
Volume of services					
Total assets	681,086	669,095	750,710	731,665	652,536
Private sector loan portfolio	430,391	434,691	458,091	448,337	436,292
Amounts due to customers	326,471	326,222	334,271	329,892	298,761
Meaningful cooperative					
Supporting local communities					
Rabobank Foundation (in the Netherlands and abroad)	19.5	16.4	19.8	15.7	21.7
Cooperative dividends (local Rabobanks)	36.4	44.1	42.8	37.0	28.3
Donations Rabobank Group	8.0	8.0	4.6	5.2	4.2
Climate footprint					
CO ₂ emissions attributable to business (x 1,000 tonnes CO ₂)	112	135	143	142	156
CO ₂ emissions per FTE (tonnes CO ₂)	2.0	2.1	2.2	2.2	2.4

Number of employees

48,254 FTEs



-15%

compared to
year-end 2013

Share in mortgage market

22%



-4%-
points

compared to 2013

Total sustainable financing

21,903 million euros



+2%

compared to
year-end 2013

1 NPS: this shows how customers responded to the question: 'Would you recommend us?'

2 CES: we use this to measure how customers experience their contact with the bank.

3 CAS: this relates to an indicator that shows the extent to which we operate in the customer's interest.

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


5 Average availability measured over 12 months.

Key figures					
	31-12-2014	31-12-2013	31-12-2012	31-12-2011	31-12-2010
Amounts in millions of euros	2014	2013	2012	2011	2010
Customer focus					
Retail customers					
Net Promoter Score (NPS Recommendation Q4) ¹	17	12	-	-	-
Customer Effort Score (CES Day-to-day banking Q4) ²	67	66	-	-	-
Customer Advocacy Score (CAS Recommendation Q4) ³	61%	59%	-	-	-
Satisfaction with day-to-day banking	7.9	7.7			
Private banking customers					
Net Promoter Score (NPS Recommendation Q4) ¹	29	20	-	-	-
Customer Effort Score (CES Day-to-day banking Q4) ²	68	66	-	-	-
Customer Advocacy Score (CAS Recommendation Q4) ³	69%	64%	-	-	-
Satisfaction with day-to-day banking	7.9	7.7	-	-	-
Businesses					
Net Promoter Score (NPS Recommendation Q4) ¹	10	1	-	-	-
Customer Effort Score (CES Day-to-day banking Q4) ²	52	43	-	-	-
Customer Advocacy Score (CAS Recommendation Q4) ³	53%	48%	-	-	-
Satisfaction with day-to-day banking	7.1	6.9	-	-	-
Nearby					
Local Rabobanks	113	129	136	139	141
Branches	547	656	826	872	911
ATMs	2,305	2,524	2,886	2,949	2,963
Members (x 1,000)	1,959	1,947	1,918	1,862	1,801
Number of users of mobile banking services (x 1,000) ⁴	2,271	1,784	1,086	410	136
Availability of internet payments & savings ⁵	98.9%	-	-	-	-
Availability of mobile banking ⁵	99.0%	-	-	-	-
Foreign places of business	440	769	759	761	682
Market shares (in the Netherlands)					
Mortgages	22%	26%	31%	32%	29%
Savings	36%	38%	39%	39%	40%
Trade, Industry and Services (TIS)	39%	44%	43%	42%	42%
Food and agri	85%	85%	85%	83%	84%
Total sustainable assets under management and held in custody for clients	2,101	1,739	964	791	682
Sustainable funding	2,905	2,870	2,788	3,184	3,668
Sustainable financing					
Total sustainable financing	21,903	21,391	8,997	7,388	5,664
Sustainable	17,271	17,417	7,071	5,458	4,299
Access to finance	1,659	1,820	1,926	1,930	1,365
Social	2,973	2,155	-	-	-
Sustainable funding					
Rabo Green Savings	2,093	2,140	1,222	948	425
Rabo Socially Responsible Deposits	216	100	-	-	-
Personnel					
Personnel data					
Number of employees (in FTEs)	48,254	56,870	59,628	59,670	58,714
Staff costs	5,086	5,322	5,325	4,862	4,919
Staff vitality score	63%	67%	65%	65%	-
Absenteeism	3.7%	3.5%	3.6%	3.9%	3.8%
Females employed	53.3%	53.5%	53.6%	53.9%	54.3%
Females in senior positions (≥ scale 8)	28.5%	27.6%	27.4%	25.8%	24.6%
Training expenses	77.4	91.2	89.1	93.0	87.9
Training expenses in EUR per FTE	1,605	1,603	1,530	1,587	1,497

Profile of the Rabobank Group

Rabobank Group is an international financial services provider operating on the basis of cooperative principles. It offers retail banking, wholesale banking, private banking, leasing and real estate services. As a cooperative bank, Rabobank puts customers' interests first in its services. Rabobank is dedicated to being a leading customer-centric cooperative bank in the Netherlands and a leading food and agri bank in the world. Rabobank Group is composed of autonomous local Rabobanks in the Netherlands and the centralised organisation, the Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank Nederland) and its subsidiaries and associates in and outside the Netherlands.

The Rabobank organisation encompassed 113 local Rabobanks at the end of 2014. A number of mergers of local Rabobanks were carried out in 2014 with the aim of improving the professionalism and competitiveness of the local Rabobanks. The decision to merge is made by the members council of each related bank individually. The local Rabobanks have a total of more than 7.4 million customers. The number of members amounted to 1,959,000. Rabobank has approximately 39,000 employees in the Netherlands. It has approximately 13,000 employees working outside the Netherlands. The Group has international branches in forty countries.

 Read more about Rabobank [here](#).

Domestic retail banking

Rabobank Group is a leading player in the Netherlands in the field of mortgages, savings and insurance. It is also an important financial services provider for the SME segment, the food and agri sector and the mid-corporate segment. The 113 autonomous local Rabobanks had 547 branches and 2,305 ATMs at the end of 2014. They serve around 6.7 million retail customers and 800,000 corporate customers in the Netherlands, offering a comprehensive range of financial services. In addition to the local Rabobanks, domestic retail banking also includes mortgage company Obvion and savings bank Roparco.

Wholesale banking and international rural and retail banking

Wholesale banking serves the largest domestic and international companies. All sectors are served in the Netherlands. Internationally, Rabobank focuses on holding a leading position in the food and agri sector, with respect to both the industrial sector and farm financing, through its global branch network.

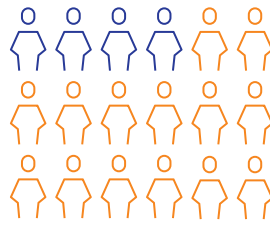
Businesses in the Netherlands with annual revenue of up to EUR 250 million are served mainly by the local Rabobanks, with support from regional teams of the Rabobank Mid-Corporates division. Wholesale, Rural & Retail (formerly known as Rabobank International) serves as the contact point for customers with annual revenue of more than EUR 250 million. This centralised department has an international branch network with branches in 27 countries. Rabobank also

8.8 million customers

of which 7.6 million are customers in the Netherlands

Members

Two million of the total of 7.6 million customers in the Netherlands are actively involved with Rabobank and members of our local Rabobanks.



Mission

Rabobank is dedicated to being a leading customer-centric cooperative bank in the Netherlands and a leading food and agri bank in the world.

113 local Rabobanks

with 547 branch offices

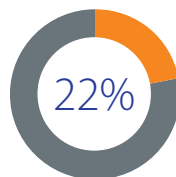


Density of network per region

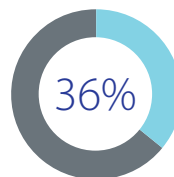
- **North Netherlands**
28 local Rabobanks
- **Central Netherlands**
31 local Rabobanks
- **South Netherlands**
26 local Rabobanks
- **West Netherlands**
28 local Rabobanks

Rabobank Nederland

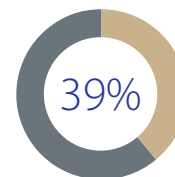
Markets



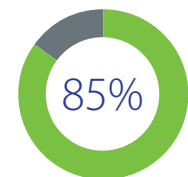
Mortgages



Savings



Trade, industry and services (TIS)



Food and agri

Subsidiaries and associates

Payment transactions
• MyOrder (80%)

Mortgages
• Obvion

Insurance
• Achmea (29%)

Asset management
• Robeco (11%)
• Schretlen & Co

Partner banks
• Banco Terra (45%)
• Banco Regional (39%)
• BPR (38%)
• NMB (35%)
• Zanco (46%)
• URCB (9%)
• Banco Sicredi (20%)
• FDCU (28%)
• Finterra (20%)
• LAAD (8%)

Wholesale
• Rembrandt (51%)

Leasing
• DLL (Athlon, Freo)

Real estate
• Bouwfonds Property Development
• MAB Development
• FGH Bank
• Bouwfonds Investment Management
• Fondsenbeheer Nederland

International retail
• ACC Loan Management
• Bank BGZ (10%)

has RaboDirect internet savings banks in Belgium, Germany, Ireland, Australia and New Zealand. The total number of employees in wholesale banking and international retail banking stands at approximately 9,500 FTEs.

DLL

DLL is the specialist in the field of leasing within Rabobank Group. Vendor Finance operates globally and supports manufacturers and distributors in selling products and services. DLL is active in ten European countries through its international mobility arm Athlon. DLL offers financial solutions in 36 countries. In the Netherlands, DLL provides a wide package of lease products and trade and consumer finance products, with the latter being provided through channels including online lender Freo. DLL has approximately 5,200 FTEs.

Rabo Real Estate Group

Rabo Real Estate Group is active in the field of real estate and area development, real estate financing, investment management and the management of community funds. The Group comprises five divisions: (1) Bouwfonds Property Development (operating under the name BPD since 1 January 2015) – development of residential environments; (2) MAB Development – commercial real estate developer (currently being phased out); (3) FGH Bank – specialist in financing commercial real estate (FGH Bank will be integrated into Rabobank in 2015); (4) Bouwfonds Investment Management – real estate funds manager; (5) Fondsenbeheer Nederland – independent community funds manager dedicated to improving the quality of the living environment. Rabo Real Estate Group has approximately 1,500 FTEs. The Group is primarily active in the Netherlands, France and Germany.

Strategy

Strategic Framework 2013-2016: cooperative, solid and sustainable

Rabobank aims for maximum customer focus and seeks to be a meaningful and rock-solid cooperative bank. Our ambition in the Netherlands is to provide our customers with suitable products from a position of strength and to be a leading and customer-centric cooperative bank. Outside the Netherlands, Rabobank aims to strengthen its position as a leading food and agri bank.


Through cooperation, we want to strengthen our customers' position and their living and working environment. This basic principle has been transposed into five customer promises: reliable, being stronger together, always personal, active participation in the customer's environment and network, with a focus on today and tomorrow. Becoming the bank that we want to be for our customers and society calls for a new way of working with each other. The bank gives priority to attracting and developing talent. The ambition is to be the bank that customers as well as employees expect us to be.

Being a rock-solid bank means maintaining solid capital and liquidity buffers. To safeguard strong buffers in the future as well, reserves will have to continue to grow, while amounts due to customers need to grow faster than the bank's lending.

The ambitions for the local Rabobanks and Rabobank Nederland are detailed in Vision 2016. This programme focuses on improving customer services at lower costs. The cooperative model is and remains the foundation underpinning the Rabobank organisation. A review of the future governance of Rabobank was launched in 2014. We expect that we will modify the governance model and begin updating our Strategic Framework in 2015.

Customer focus

Owing to its origins, Rabobank feels jointly responsible for the socio-economic development of its customers' environment and networks. That is our mission. We are committed to strengthening our customers' position and their living and working environment through cooperation. This mission is powerfully encapsulated in our advertising campaign 'Invested in each other'.

 More information on the mission and the strategy is available on Rabobank.com.

The customer is the basis for the existence of the cooperative Rabobank. Further intensifying the customer focus in each of Rabobank's employees is aimed at putting the interests of our customers at the heart of everything we say and do. In doing so, we are aiming to achieve concrete results and demonstrable benefits for our customers.

- Read more about the governance of Rabobank [here](#).

Vision 2016

Rabobank is faced with far-reaching changes in its environment. Customers want straightforward and transparent financial services and to be able to conduct their banking matters anytime and anywhere. At the same time, the limited economic growth means that earnings are stagnating and bad debt costs remain high. Responding to these developments, Rabobank established the programme Vision 2016 in 2013. This programme is aimed at better customer service at a lower cost. Between now and 2016, we are committed to five changes that will help us achieve our goals:

1. We strengthen our cooperative identity in our day-to-day conduct.
2. We focus on providing advice to existing customers and specific target groups.
3. We increase our impact in society.
4. We virtualise our services.
5. We reduce our costs and hold each other accountable for this.

Sustainably successful together

As a cooperative bank, Rabobank aims to act as a partner to its wholesale and retail customers in achieving their ambitions in and for a sustainable society. In 2014, we made our ambitions for our contribution to a sustainable development to 2020 explicit and quantifiable in the memorandum Sustainably Successful Together. Our social contribution consists of accelerating efforts to increase the sustainability of agriculture and food supplies around the world and strengthening the vitality of communities. By interlinking our financial services, knowledge and relevant networks with our customers' ambitions, we will become sustainably successful together. Sustainability will become an integral part of the customer relationship in the process. In order to achieve this in the short term, we have also refocused our ambitions for our own efforts. We use performance indicators to measure progress towards attaining our ambitions. We will report on them to our stakeholders. We engage in dialogue with them and, partly on that basis, periodically adjust our goals. The aim is for independent experts to qualify us as one of the most sustainable globally operating general banks by 2020.

- Read background information about Rabobank's sustainability policy [here](#).
- Read the full document with our sustainability ambitions [here](#).

Empowering employees

Rabobank aims to have an appealing corporate culture in which it can take pride and that manifests itself in its day-to-day conduct. Rabobank launched a Group-wide culture programme in 2013. This programme is aimed at the attitude and behaviour of employees in their daily conduct. Rabobank firmly believes that the values of respect, integrity, sustainability and professionalism must be endorsed by and embedded in all employees.

Maximum customer focus calls for a new way of working with each other. Our focus is on attracting and developing talent. Strong leadership and motivated employees are necessary to support and shape the changes within the bank. It is above all our employees who make the bank what it is and can make an exceptionally important contribution towards this.

Rock-solid bank

Ample capital and liquidity buffers determine financial solidity. These buffers are necessary enabling conditions and essential for retaining a high rating and good access to professional funding. As a result of the introduction of the Capital Requirements Regulation (CRD IV), capital and liquidity buffers are subject to more stringent requirements. In the past 25 years, lending growth outpaced that of amounts due to customers and reserves. Rabobank consequently had to rely on capital market funding to a extent. In the future, the growth of amounts due to customers and the annual addition from net profit to reserves will determine the scope for growth in lending. We want to target our lending at the food and agri sector throughout the world and at a broader customer group in the Netherlands. This will contribute to help amounts due to customers to grow faster than lending.

Rabobank's capital buffer consists of retained earnings, Rabobank Certificates, supplementary tier 1 capital and tier 2 capital. Rabobank's capital strategy is focused on increasing the relative proportion of retained earnings and tier 2 capital. The share of retained earnings increases by virtue of profit appropriation. To that end we must focus throughout the Group on restraint and cost control. Although Rabobank does not seek to maximise profit, healthy profit growth is necessary for ensuring continuity, security and selective growth. By expanding total capital with tier 2 capital by means of new issues, the relative proportion of Rabobank Certificates and additional tier 1 capital in total capital will automatically be reduced. Increasingly, the additional tier 1 instruments issued in the past are excluded in determining capital ratios. Therefore we will issue new instruments in the years ahead that do qualify as tier 1 capital.

The Rabobank Group aims to achieve the following concrete financial targets by the end of 2016 in the areas of profitability, solvency and liquidity:

- return on tier 1 capital of 8%;
- common equity tier 1 ratio of 14% and capital ratio of more than 20%;
- loan-to-deposit ratio of 1.3.

<i>Financial targets Strategic Framework</i>	<i>Target for year-end 2016</i>	<i>Actual 2014</i>	<i>Contribution to target in 2015</i>
Profitability			
Return on tier 1 capital	8%	5.2%	- Further implementation and execution of Vision 2016 will result in a decrease of the costs of local Rabobanks and Rabobank Nederland. - Improvement of the return on invested capital at all other divisions.
Solvency			
Common equity tier 1 ratio	14%	13.6%	- Composition of capital changes: relatively more retained earnings and tier 2 capital and relatively less Rabobank Certificates and additional tier 1 capital.
Capital ratio	> 20%	21.3%	- Divisions will be managed strictly on the basis of their capital requirement.
Liquidity			
Loan-to-deposit ratio	1.30	1.33	- Selective growth in lending. - Diversification of sources of funding. - Focus on stable funding.

Meaningful cooperative

The cooperative model is the foundation under the Rabobank organisation. Almost two million customers in the Netherlands are members of their local Rabobank. They have the opportunity to voice their views and participate in decision-making on the policy of the local Rabobank through a members council, thereby ensuring that the local Rabobanks remain in touch with the community of which they are part. 'Cooperative banking' is based on four focus areas that are connected with the financial products and services of Rabobank: a long-term relationship, commitment to a better world, participation and solidity.

Rabobank puts the customer's interests at the heart of its service provision, with a focus on the long term. On the basis of its cooperative principles, Rabobank always strives to help its customers in a responsible way, especially in times of economic difficulty. The cooperative identity needs to be strengthened in order to maintain our distinctive profile. Rabobank is thus developing initiatives designed to increase the influence and involvement of its members. We want to link our cooperative mission more explicitly to the banking services. This starts with the financial services provided to customers on a daily basis, but also encompasses stepping up participation in local and virtual networks.


Food and agri

Rabobank is the leading bank in agriculture and food production internationally, with financing of EUR 92.3 billion in the entire chain and in the principal agri-business countries. As a global food and agri bank, we presented Banking for Food, our vision on food security in the long term, and our role in it, in 2014. We support our customers by providing access to financing, knowledge and networks.

Banking for Food

In our Banking for Food vision, we emphasise that Rabobank has a role in addressing the global food issue, i.e. sustainably feeding more than 9 billion people in 2050. We have an excellent starting position owing to our presence in the key food-producing and food-consuming countries and in the food chain. In Banking for Food, we define specific targets and priorities for a joint and integrated approach and map out the road by which they can be reached.

We prepared two infographics to clearly communicate Banking for Food; the first shows the solutions of Banking for Food from the perspective of our customers and the second reflects the four building blocks of Banking for Food. These infographics are available on our corporate website.

 Read more about the vision Banking for Food [here](#).

Renewing the governance structure and updating the Strategic Framework

The local Rabobanks in the Netherlands are all individual cooperatives. The same applies to Rabobank Nederland, their centralised organisation. The nineties witnessed the start of a debate within the bank on its status as a cooperative. A key outcome at that time was that every generation has to reinvent the cooperative for itself. The time has now arrived to re-evaluate the cooperative again.

There are various internal and external reasons for a review of the existing governance structure of Rabobank, including developments in the financial markets, the shift of supervision to the European Central Bank and new European laws and regulations that place additional demands on the organisation of the bank. In addition, the cost base will continue to be a focus area in the years ahead.

Against this background, the Executive Board has decided to establish an advisory committee on governance. The Committee is tasked with advising the Executive Board on the organisation and governance of Rabobank. The goal is to put in place a structure and culture that are robust and future-proof and at the same time contribute to restoring trust in Rabobank.



How can Rabobank combine broad-based support for change with speed?

We devote a great deal of time, energy and money to ensuring that our organisation operates effectively. We see mutual consultation and cooperation as the best means to attain our goals.

Rabobank has a structure and a culture that are focused on connection and cohesion. That is something by which we set great store. Sometimes the timespan required for thorough, judicious decision-making is at odds with the high pace of developments in our sector and the outside world.

Our cooperative structure provides us with a solid basis for channelling members' influence and members' involvement. It helps us to be a driving and innovative force in the areas in which we operate. It is what sets Rabobank apart. Membership affords our members the right and the possibility to have a say in the bank's policy. Our members thus oversee and influence the bank's direction. But the cooperative does not just help us to create opportunities, with its natural system of checks and balances, it also safeguards a balanced allocation of powers.

A cooperative that operates on this basis does, however, need time. Democratic decision-making processes often take longer than hierarchical top-down decisions. This places great demands on our directors and involved members in terms of speed, especially in a rapidly changing environment. But it is essential in a cooperative for the members' councils, management and board to take properly considered decisions based on the relevant context and to take into account all aspects involved. That is particularly true for major, far-reaching decisions. If you take members' influence as seriously as Rabobank does, this is self-evident.

Our conscientious decision-making processes may accordingly take more time in the decision-making phase, but experience shows that this strengthens mutual trust and provides a good basis for the successful introduction of changes and/or new requirements.

As a first step, the Governance Committee formulated a number of basic principles before being able to develop proposals for specific changes. The basic principles were endorsed by the Central Delegates Assembly in September 2014:

- The cooperative will continue to exist
- Services are close to customers
- Financial power of the collective and efficient businesses operations
- Trustworthy management
- Social involvement
- Independent supervision

The various scenarios have an influence on the future structure of the organisation. The Governance Committee discusses the proposals for adapting the structure intensively with the local Rabobanks. The Governance Committee then makes a recommendation to the Executive Board. The formulation of views and decision-making concerning the governance model are expected to take place in the first half of 2015.

In 2015, further to the governance discussion, Rabobank will examine what the shape of the future Strategic Framework should be. In addition to the outcomes of the debate on governance, we will also take account of several other important topics in this process. One of these is the question of the choices we will make in lending in order to maintain healthy capital ratios. The desk for lending will remain open for our core customers, a broad customer group in the Netherlands and international food and agri customers. We will also review strategic choices concerning capital allocation. In addition, the development of the environment in which Rabobank operates as a bank will affect the future design of the Strategic Framework. It is important to take regulatory developments but also technological developments and innovation into account.

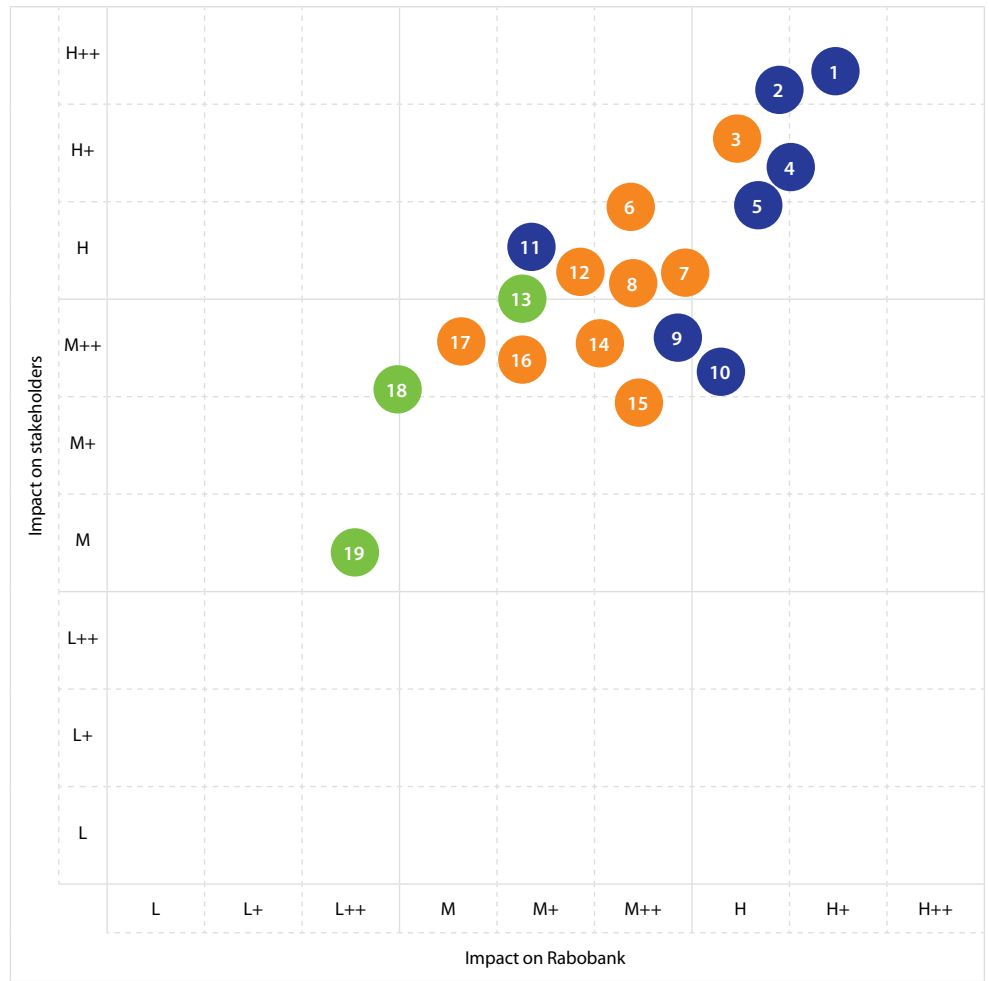
 Read more about the governance of Rabobank [here](#).

Materiality analysis of sustainability reporting

The materiality analysis for the Annual Report 2014 is derived from the Global Reporting Initiative (GRI) G4 reporting guidelines and the interests of our stakeholders. We carry out surveys among various stakeholder groups to measure what our stakeholders consider to be important and how they rate Rabobank's performance in those areas. At present, the way in which that analysis is embodied in this Annual Report is still based on an estimate on Rabobank's part. The impact of the analysis is recognised and we have taken measures to mitigate the risks. Our approach for the 2015 Annual Report will be different, as the materiality analysis will be tested with our stakeholders. We will seek alignment for that purpose with the GRI-G4 guidelines and the reporting framework of the International Integrated Reporting Committee (IIRC). As a result, the materiality analysis will even more strongly guide the design and contents of the report than is the case at present.

Rabobank materiality analysis

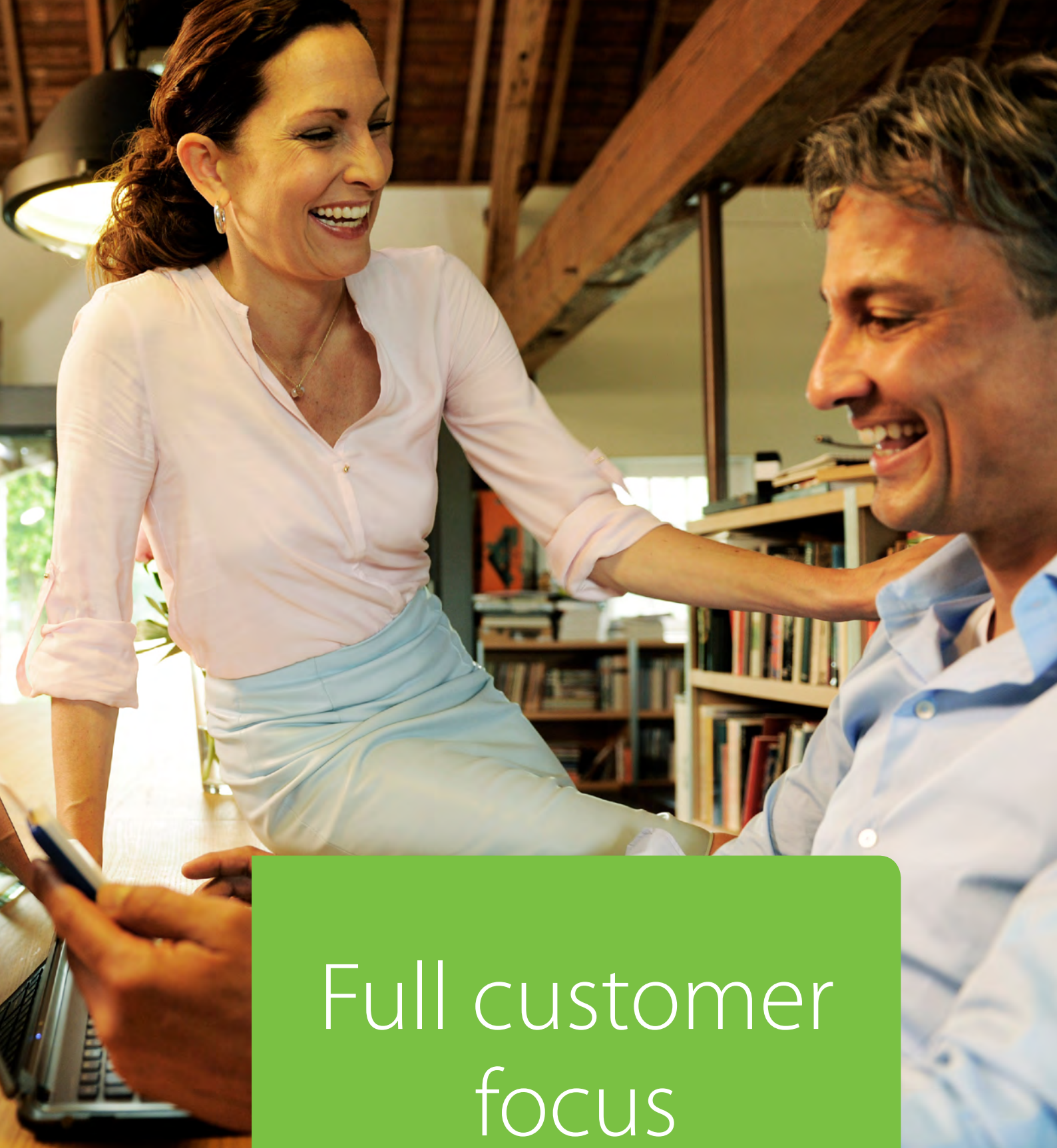
- Economic
- Environmental
- Social



Nr.	Issue	Applicable GRI aspects	Page	Stakeholders					
				Employees	Members	NGO's	Clients	Government and regulators	Peers
1	Rebuilding Trust	Economic Performance	19, 34, 42	●	●		●		●
2	Client Focus	Economic Performance	19, 25	●			●		
3	Culture and Conduct	Compliance (Product responsibility), Compliance (Society), Product and Service Labeling ¹	34, 120	●	●		●	●	●
4	Virtualisation of Services	Economic Performance	22, 55, 58, 120		●		●		
5	Sustainable Agriculture and Food Security	Indirect Economic Impacts	12, 27, 64, 122		●		●		
6	Remuneration	Governance ²	112	●		●			
7	Privacy and Information Security	Customer Privacy	22, 44, 86				●		●
8	Human Capital and Talent Management	Employment	33	●					
9	Client ESG Opportunities and Risks	Active Ownership ¹ , Product Portfolio ¹	30, 110			●	●		
10	Financial Strength	Economic Performance	40		●			●	●
11	Availability Online Services	Product and Service Labeling ¹	21				●		
12	Employee Sustainability Engagement	Training and Education	33	●					
13	Stimulating Sustainable Investments	Active Ownership ¹ , Product Portfolio ¹	29, 30, 110			●	●		
14	Transparency	N/A	1	●	●	●	●	●	●
15	Stakeholder Engagement	Stakeholder Engagement	13, 110, 111, 126, 131	●	●	●	●	●	●
16	Strengthening Vital Communities	Local Communities ¹	27, 105		●		●		
17	Promoting Diversity and Equality	Diversity and Equal Opportunity, Equal Remuneration for Women and Men	35, 36, 127	●		●			
18	Promoting Circular Economy	Active Ownership ¹	29, 71				●		
19	Direct Environmental footprint	Emissions, Energy	31			●			

1 Part of GRI-G4 Financial Services Sector Supplement.

2 Part of GRI-G4 General Standard Disclosures.



Full customer focus

Rock-solid bank



Empowering employees

Meaningful cooperative

Customer focus

If we are to achieve the high level of customer satisfaction to which we aspire, it is vital that all our employees fully embrace the philosophy of customer centricity. Various surveys have indicated that our customers were significantly more satisfied with our services in 2014 than in 2013.

At the same time, our customers also tell us that they expect more from Rabobank. We need to improve our competitive advantage by becoming more transparent and reliable and by adopting a more personal approach. A fair number of customers, for example, have expressed discontent with the long processing times and poor communication they have encountered in their interaction with the bank. Our own employees, too, in their responses in the culture survey stated that they would like to spend more time serving customers. There is decidedly too much focus at present on internal affairs due to various regulations and other factors.

We have also observed that both our customers and society are increasingly recognising the importance of sustainability and there is a growing desire to make agriculture and the food supply more sustainable globally. There is also an increasing awareness that a healthy balance between wealth and prosperity is essential to a vital, vibrant society and that the best solutions are created through cooperation. These developments fit in perfectly with the public role Rabobank wants to fulfil. We want to be sustainably successful with our customers.

Customer satisfaction

We use the Net Promoter Score (NPS) as a metric for measuring the level of satisfaction of customers who have used the services of our advisors; the Customer Effort Score (CES) to measure the ease with which customers manage their banking business through Rabobank; and the Customer Advocacy Score (CAS) to measure to what extent customers feel we act in their best interest.

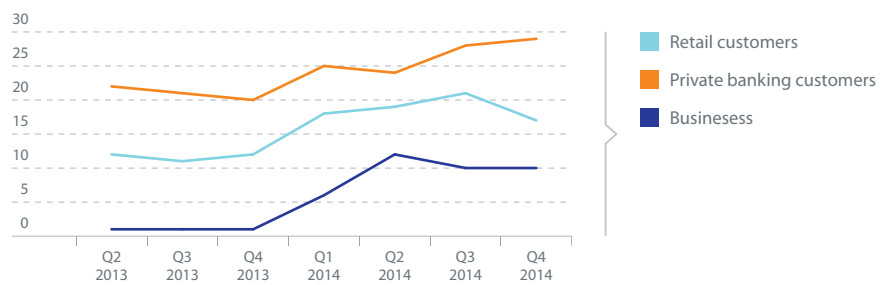
Our research has revealed that the NPS for our advisors improved in 2014 in both the retail and business divisions. The CAS has also been on an upswing, after falling behind during the year and the CES for day-to-day banking business is high and relatively stable in the private market. The Businesses segment, meanwhile, is unmistakably getting back on track.

Rabobank either improved slightly or remained constant in each of these indicators in 2014. We do not only measure the NPS, CES and CAS; we also ask our customers to rate their level of satisfaction on a scale from 0 to 10. Both our business and our retail customers give us a '7+' score, which is comparable to or slightly higher than the score we received in 2013. Despite our extensive attention to regulations and internal processes, customers' opinion of Rabobank became more favourable in 2014.

The NPS shows the extent to which the respondent would recommend the advisor to others. The respondent is regarded as a 'promoter' (score of 9 or 10), as 'passively satisfied' (score of 7 or 8) or as a 'detractor' (score of 0 to 6). The NPS is calculated by subtracting the percentage of 'promoters' from the percentage of 'detractors'.

The score is expressed as an absolute number between -100 and +100.

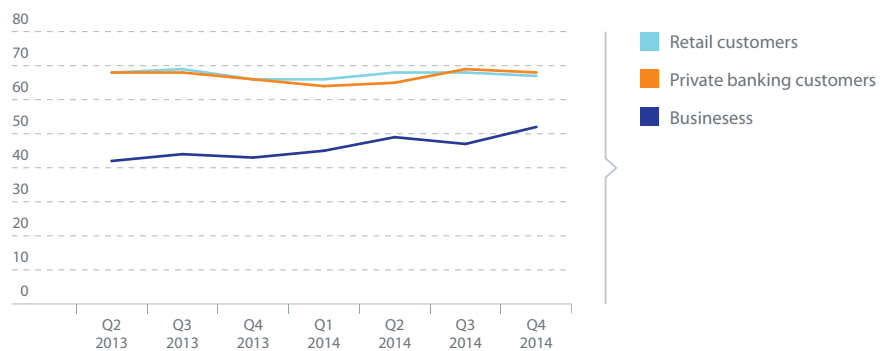
NPS advisor



The CES shows the extent to which the respondent had to make an effort to take care of matters during the last contact. The CES is measured on a scale of one to five from 'very low effort' to 'very high effort'. The CES is calculated by subtracting the percentage of respondents who selected 'low effort' or 'very low effort' from the percentage of respondents who selected 'high effort' or 'very high effort'.

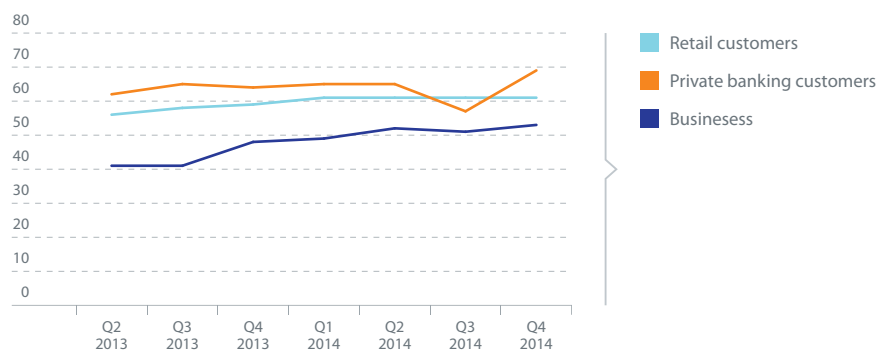
The CES is expressed as an absolute number between -100 and +100.

CES daily banking business



The CAS indicates to what extent (in the respondent's opinion) the advisor has acted in the customer's best interest, as opposed to in Rabobank's interest only. The CAS is measured on a five-point scale, ranging from 'completely disagree' to 'completely agree', where the responses 'agree somewhat' and 'completely agree' determine the score.

CAS advisor



We calculate the NPS, CES and CAS based on brief surveys which virtually all local Rabobanks conduct after each customer interaction. By listening carefully to the feedback we receive from customers, we learn how to bring our services more in line with their expectations. We received a total of 242,000 customer complaints in the Netherlands in 2014, a 3% increase over last year. The number of complaints which were handled directly remained approximately the same.

Customers who are dissatisfied with how their business was handled by their local Rabobank can direct their complaint to the Rabobank Nederland Complaints Desk. In 2014, the number of complaints handled by the desk increased from more than 3,000 to nearly 4,000.

One of the reasons for this increase was the risk premiums for mortgages and the ineligibility of some customers for the discount on the payment package (to which they had formerly been entitled). The most frequent complaints received by our Complaints Desk concerned the following issues:

1. Credit card disputes (409)
2. Disputed debit card withdrawals (344)
3. Employee advice (235)
4. Fees and commissions and other (221)
5. Internet banking (218)

A significant portion of the complaints received by local Rabobanks concerned credit card payments and debit card withdrawals. Although we perceive a positive trend in our customers' satisfaction with their advisor, we also receive a number of complaints about the quality of the consultancy. These complaints concern issues such as mortgage advice and the risk premiums for mortgages.


The method used to calculate the risk premium for mortgages was updated in 2014. More information about this revision is provided in the [Adjusting the rate structure for mortgages](#) paragraph. Complaints about fees, interest rates and other commission costs concerned issues including the expiry of customers' eligibility for a discount on the payment package. The fifth category, complaints about internet banking, relates mainly to phishing. As a result of the increased efforts in areas such as communications, security and criminal investigation, the number of phishing incidents fell in 2014. More information about phishing is provided in the 'Fraude prevention' paragraph on page 22. We also measure the NPS, CES and CAS after receiving complaints from customers and the actual complaint serves as input for improving products and customer services.

Customer satisfaction is improved in the following ways:

1. Improving customer services by means of:
 - a. high system availability;
 - b. fraud prevention;
 - c. implementation of Vision 2016;
 - d. other initiatives for customers.
2. Greater focus on innovation, which should result in a new generation of products of value to customers.
3. Activating employees to be customer-focused in everything they do.
4. Reducing the regulatory pressure and making rules easier to implement for our employees, so that we will spend less time on internal procedures and focus more on our customers.

1a. System availability

The availability and stability of our online systems are of the utmost importance to our customers. If one of our services is unavailable due to a system failure, we immediately alert our customers. We apply the highest standards and make every effort to ensure the availability of our internet and mobile banking services. Inevitably, this is beyond our control sometimes and in 2014 there were 152 system failures in total, down 13% compared to 2013. The majority of system failures were caused by hardware and software issues. We have learned from these experiences that stability must be our main consideration when implementing new applications.

 Read more about these procedures [here](#)

1 This is the average availability measured over a 12-month period.

	<i>Availability¹</i>	<i>Target</i>
Internet payments and savings	98.9%	99.9%
Mobile banking	99.0%	99.9%
Rabophone	99.7%	99.5%

A number of our ATMs were out of order at the end of 2014, caused by a strike lasting several days arising from an internal dispute at our third-party cash-in-transit company. By the end of the industrial action, a total of 710 of the 2,305 ATMs were temporarily out of order.

1b. Fraud prevention

The damage to internet banking as a result of phishing and malware in 2014 was down sharply from 2013. We did see, however, a sharp increase in the number of phishing sites shortly after the summer. This peak in phishing activity is attributed to communications about the Rabo Scanner, Rabobank's new authentication and signing device, which the bank began distributing to all internet banking customers in the Netherlands in November 2014. When the launch of the new device was announced, criminals used this as an opportunity to attempt to 'phish' for secret customer codes. The number of phishing attempts reverted to usual levels in the fourth quarter.

As part of a new development, criminals have also taken to manipulating service and purchasing processes for criminal purposes, using a combination of the online channel and the telephone channel to target customers. Another trend we noted in 2014 is that a growing number of business customers became the victim of phishing and malware attacks. This trend is expected to continue in 2015, including the development of new types of malware which focus not only on internet banking, but also on companies' proprietary systems.

1c. Vision 2016

The Vision 2016 programme focuses on improving customer services at reduced costs. All the programme's resources were dedicated in 2014 to implementation and execution. This stage focuses on increasing the number of online and mobile services, improving the quality of our consultancy, increasing social involvement by participating together with our customers in physical or virtual networks and streamlining the organisation for the purpose of cost reduction.

The bank is on schedule in terms of the progress it is making in the innovation and virtualisation of our services. Key steps have already been initiated in several areas, including the migration of our customer services online. This is handled entirely through Straight-through Processing (STP), which enables the entire process to be conducted electronically, without the need for manual intervention. We will continue this process next year and will also take a number of key innovation steps for our entire range of services, which will then be integrated into an all-new online environment.

The following results were achieved in 2014 (information is available electronically):


- Launch of the Rabo Scanner
- Substantial improvements to the Rabo Banking app
- Substantial improvements to the Rabo Investment app
- Launch of Rabo Wallet
- Launch of OmniRegister and MyOrder
- Further virtualisation of the mortgage process
- Launch of online provision of business loans

 Read more about this subject [here](#).

1d. Other initiatives for the customer

The initiatives listed below were designed to improve customer satisfaction.

- Adjusting the rate structure for mortgages
- Facilitating additional mortgage repayments
- Introduction of a negative equity scheme for mortgages
- Launch of Zo wil ik wonen ('Home Choices') online information platform for consumers
- Launch of PeriodSavings
- Appropriate solutions for interest rate swaps
- Additional lending for SMEs
- Assistance by Special Accounts
- Australia: RaboDirect app
- Online customer influence
- International Business Day
- 'Banking for Food' knowledge exchange
- Sanctions on trade to and from Russia: Working Capital for Agricultural Companies Guarantee
- Support for farms/businesses affected by avian flu

 Read more about these subjects [here](#).

2. Innovation

Rabobank has always been a leader when it comes to innovating its services and it ended up growing into one of the most innovative and progressive financial service providers around. We were one of the first banks to introduce internet and mobile banking services and were the driving force behind the rise and success of iDeal, currently the most widely used online payment tool in the Netherlands. Rabobank's MyOrder application is an m-commerce platform with great potential, while the bank demonstrates its social involvement through the WeHelpen initiative and shows its customers how to make their business models more sustainable in the Circular Economy Challenge. Yet the rate at which changes are occurring require a sharper focus than may have been the case in the past. This has prompted us to give innovation a structured place within the organisation and to make it part of our long-term strategy.

After sponsoring the start-up accelerator programme of the Startupbootcamp Amsterdam in 2013, Rabobank and DLL decided to enter into a three-year partnership with the Startupbootcamp FinTech in London and its e-commerce and m-commerce counterpart in Amsterdam. These partnerships enable Rabobank to get closer to the developments occurring outside the bank and will give it greater access to successful start-ups in the financial services sector. This partnership with Startupbootcamp has resulted in a number of alliances with Facturis and MyOrder.

Rabobank has also reached out to form new partnerships with other large organisations in the Netherlands. We teamed up with KLM, Ahold, TomTom, Philips, USG and Amsterdam Airport Schiphol to host the Dutch Open Hackathon in September 2014, a 30-hour event that has grown into one of the largest hackathons worldwide.

One specific change of which we will soon notice the effect is the implementation of laws relating to the Payment Service Directive II (PSD II). The PSD II is scheduled to take effect in 2017. This change – to which Rabobank refers as the 'transition to Open Banking' – is so fundamental that it served as the impetus for pinpointing a number of potential future scenarios for financial services. In order to increase the bank's flexibility, we are developing a number of 'open APIs', with 'API' being an acronym for application programming interface.



Are we focusing on the customer or the customer's file?

A solid and secure financial basis: we aim to contribute to building such a foundation through our financial products, our advisory strength and our networks.

In order to manage this process as successfully as possible, our focus must be completely on the customer. Yet it sometimes seems as if we are focused more on the paperwork and administrative documentation involved than on our customers. This tends to be motivated by a desire and need to comply with the laws and regulations.

In fact, the purpose of these laws and regulations is to protect our customers' interests and make certain that we know the rules of the game. This provides us with the tools we need to increase our customer focus. We also need to bear in mind, however, that our customers do not always understand the laws and regulations or, in fact, that those laws and regulations do not always serve the interest of the customers themselves.

Our employees must therefore be able to empathise with our customers' struggle with regulations and must be able to explain to them why these rules are in place, while at the same time serving them to the best of their ability.

The importance of these competencies is underscored in two major programmes currently running at Rabobank. The first of these programmes is Culture Collective, a culture programme for all our employees designed to ensure customers become our first priority again. The purpose of the second programme, Vision 2016, is to improve the services we provide to our customers through the intelligent and appealing use of virtual channels, including personalised advice and the use of our networks if required.

Any laws and regulations that do not immediately serve the interests of our customers will eventually need to be amended. Together with our partners in the sector we will engage in dialogue with legislators and regulators in an attempt to facilitate this change.

The items listed above are just a few of the strategic innovations which will be centrally managed by the Innovation Board starting in 2015. In addition to prioritising these innovation themes, the Board will also focus on three priorities for creating a sustainable innovation process:

1. Initiating and learning from innovative initiatives
2. Determining the impact of innovation
3. Increasing commitment to innovation.

Innovation awards

Innovation requires a healthy dose of creativity, business acumen, perseverance and courage – all qualities which we are keen to reward. The Herman Wijffels Innovation Award, presented annually by Rabobank, provides Dutch entrepreneurs with a platform through which they can successfully and commercially launch their innovations in the field of sustainability. We presented the awards for the thirteenth time in 2014. Dozens of entrepreneurs have already received support from us in the form of prize money, publicity and access to finance, our knowledge and our network.

➤ Please click [here](#) for more information about the award and the winners.

This was also the third year that we joined forces with SME association MKB Nederland to organise the The Next Entrepreneur competition. This event supports start-ups by sharing knowledge on key business themes and inspiring case studies, as well as giving them access to a network that can help them get ahead. The 2014 award ceremony coincided with an event for start-ups featuring a series of workshops, which attracted a total of 700 entrepreneurs.

➤ Click [here](#) for more information about The Next Entrepreneur.

As driven as we are in our quest for innovation, some new developments inevitably do not come to fruition in the end. An example of such an innovation is the virtual wallet MiniTix, which is a wireless payment solution. The discontinuation of which will affect several hundred businesses, associations and institutions. These customers will be briefed and advised over the next few months on a cashless payment solution to be introduced as an alternative.

3. Activating customer focus among employees

The purpose of promoting complete customer focus among all Rabobank employees is to ensure that our customers and their interests are central to everything we think, say and do. The Vision 2016 programme introduced in the Netherlands is designed to ensure that we can improve our advisory strength and become more customer-centric at a lower cost. The process of automating a large number of our services and/or moving them online ('virtualisation') was a prime focus of this programme throughout 2014; in addition, Vision 2016 also highlighted increasing social involvement by participating with customers in physical or virtual networks and streamlining the organisation.

In Wholesale, for example, we look what changes might be necessary and possible on the basis of customer feedback that allows us to have a direct influence on our customers. There are several initiatives in place to facilitate this. For example, we are working in end-2-end teams with a single point of contact for the customer, as well as working in client service teams, a method which is helping us to improve and strengthen interaction with our customers and create better solutions on their behalf. We have visualised the loan process and made it accessible to our customers online; we also gather structured feedback from our customers and initiate action based on the outcome.

Rabobank also launched the Culture Collective programme in 2014 to help our employees change the bank's culture in such a way that all our people put the customer's interest first at all times. The programme will run until 2015.

Our employees will also be taking the bankers' oath (ethics statement), which has customer centricity as a guiding principle. The bankers' oath is part of a series of measures implemented by the Dutch banks collectively with the objective of regaining the public's trust.

➤ Read more about the bankers' oath [here](#).

4. Reducing regulatory pressure

The spate of new laws and regulations introduced in the Netherlands in recent years has created an imbalance between regulation and customer service. The flurry of implementations and recoveries – including control measures – has been particularly taxing on employees of local Rabobanks. The bank has implemented a number of measures to reduce this pressure.

First, we have begun working in accordance with the principles of supply chain management. This has made it possible for us to more clearly consolidate our various activities, which in turn has simplified the implementations.

Second, local Rabobanks are now better equipped to deal with the higher regulatory pressure; we make a point of focusing on the bigger picture rather than checking every detail. In implementing regulations, the local Rabobanks will be assisted by quality teams. At the same time, there is greater consistency in terms of the quality of the regulations.

This has enabled us to devote more time and attention to customers, while at the same time allowing the bank to implement complex regulations faster. With a growing number of our processes being automated, regulatory pressure will further subside at local Rabobanks in the future.

Sustainability

Our targets, objectives and activities build on existing activities and constitute a key element of the strategy of Rabobank and its various entities.

Sustainability is part of how we give expression to what it means to be a cooperative today, which certainly also extends to the services we provide to our customers. In Banking for Food, the name we give to the agricultural and food strategy we are currently developing, sustainability is a key element of our contribution to society and the high-quality customer services we provide, which enable us to compete on a global scale. Our contribution to society centres on the issues of sustainable agriculture and food supply and vital communities.

These two issues are in keeping with our identity, history and background, as well as addressing several significant global and local social challenges. In fact, we selected them on the basis of our global market position in agriculture and food, our market leader position in the Netherlands, and our knowledge, objectives and principles as a cooperative organisation.

We aim to serve our customers and members by providing them with up-to-date, high-quality expertise in sustainability, in order to connect customers, experts and other stakeholders within value chains, and to help them build valuable networks on a regional scale. We expect our employees to stand out by their expertise and participation in these networks. At the same time, we also share our views in the public debate in order to promote sustainable development.

In 2014, the Central Delegates Assembly ratified our targets and objectives for sustainable development. All the organisational entities involved in these efforts set out to achieve our new sustainability objectives and targets in 2014 with great energy and drive. Local Rabobanks use their role in the local business community to capitalise, together with their members and customers, on the opportunities and challenges offered by sustainability. They will maintain and further strengthen their position in the market in the coming years in relation to sustainability. In order to support local Rabobanks in these efforts, a number of tools have been developed to integrate sustainability into our policy plans and management reports.

Another area of focus in 2014 was sustainability in lending, and we also began incorporating practical examples of sustainability in the courses we provide. The presentation 'Sustainability = Continuity' was well attended during the training days for credit analysts, account managers and loan application officers, who learned how to make sustainability a more important factor in their work. Finally, more than 60 directors of local Rabobanks attended a Corporate Social Responsibility (CSR) workshop, which focused on testing a customer's sustainability performance when reviewing loan applications. The 'Advanced Sustainable Banking' workshop further expands on this subject. Both workshops were rated very highly by participants and will be offered again in 2015.

Based on the targets set out in the strategy and the Key Performance Indicators (KPIs) we drafted, we have listed our accomplishments for 2014 below.

Cooperative dividend

64.8 million euros



3.5%
of net profit

in comparison to
the target of 3%
of net profit

Objective: Strengthening the vitality of communities

- KPI: We support social initiatives in the communities in which we are active through manpower, knowledge and research, networks, facilities and annual investments in not-for-profit social projects, which together constitute 3% of our net profit.
- KPI: By 2020, we will support a total of 1,000 new collective local social initiatives in achieving business success, including 500 in the Netherlands and another 500 in developing countries.

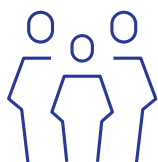
Status as at year-end 2014:

- We invested EUR 64.8 million in not-for-profit social projects, representing 3.5% of our total net profit for 2014.
- At year-end 2014, we supported more than 400 international projects through the Rabobank Foundation, involving a total of 300 project partners, the majority of which are production cooperatives and savings and loan cooperatives spread across 29 countries.
- Through our involvement in WeHelpen, we support people who need assistance and volunteers willing to provide such assistance.
- We support citizens' initiatives through our local Rabobanks, giving priority to projects devoted to solar energy, care for the elderly and internet access.

No reliable quantitative data were available to calculate the number of collective local social initiatives supported by Rabobank at the time of publication of this annual report; we are currently developing a reporting process which will allow us to report on the progress we make in terms of numbers. For background information on the current status of the issue of 'strengthening vital communities', please refer to the section on 'Meaningful Cooperatives'.

Sustainability

We participate in 7 round tables
dedicated to sustainability



- Palm oil
- Soy
- Beef
- Biomaterials
- Salmon
- Sugar
- Coffee

Objective: Sustainable agriculture and food supply

- KPI: We formulate our views on opportunities to improve the sustainability of agricultural value chains for soy, palm oil, cane sugar, forestry, beef, dairy, fish, coffee, cocoa and biomaterials. We share these views with the outside world and actively participate in roundtable meetings or similar initiatives in order to ensure that sustainability is achieved sooner in these agricultural value chains and work together with our customers to help them successfully integrate the results of these discussions into their business operations.
- KPI: We actively contribute to improving agricultural value chains because sustainability is an integral part of how we view sectors and industries. We share this knowledge in our communications with our customers.

Status as at year-end 2014:

- Palm oil and soya are key sectors, and Rabobank's clients include leading producers, processors and traders in these agricultural commodities.
- We participate in seven roundtables dedicated to sustainability and share the knowledge we acquire through this participation with our clients.
- We were elected chair of the Round Table for Responsible Soy (RTRS) and joined the 4C Association, an umbrella organisation for coffee certification.
- We were involved in a large number of seminars and training courses, including the Seafood Expo in Boston.

➤ Read more about this subject [here](#).



How do we deal with the differences in standards and values in the Netherlands and elsewhere?

We apply the same principles and values to all our customers worldwide and are aware that the situation varies in each country on account of differing points of view in different parts of the world.

Wherever we conduct business in the world, and how, is determined by our four core values: respect, integrity, professionalism and sustainability. In addition, we have also drafted a number of specific Food & Agribusiness Principles. Needless to say, we are bound by international rules and regulations, and finally, we have drafted a series of guidelines to support our employees in the practical application of our principles. We feel it is important to comply with these principles, both for ourselves and for society.

If a company abides by a set of principles, others are entitled to hold them to those principles – which is exactly what our stakeholders do. They keep a close watch on us and call us to account for our actions if necessary. We find that this approach has always worked for well for Rabobank.

And yet our principles do not provide answers to all social issues; on an international level, the social context can vary widely from the Dutch situation, while we also wield more influence in some countries than others. Additionally, the fact that standards of what is common and acceptable also vary by country can potentially create complex dilemmas in the international cattle farming and agricultural supply chains, as is the case, for example, with palm oil.

We encounter a number of these dilemmas in fulfilling our mission of contributing to the food supply of the growing global population. The question is how our customers can produce this food in a responsible manner. While factory farming increases the production output of meat, how can this be reconciled in various countries with responsible animal

husbandry and care? And although organic farming may be less damaging to the environment than its traditional counterpart, production per hectare is significantly lower, which means that demand for arable land will increase, while output remains the same.

Do we support these developments even if the new territory encroaches on nature reserves and other protected areas? And to what extent does the answer to this question depend on the country or region in which the farmer is based?

Our experience in the food and agri sector has allowed us to discover many best practices, both in the Netherlands and elsewhere. We share our knowledge in order to assist and support businesses.

We work with the customer to see how their farm can operate using responsible and sustainable practices in the coming years, taking into account the expectations customers and society have of the business.

The most complex issues we encounter are nearly always related to an ethical dilemma of some sort. We refer these cases to a special committee, chaired by our Chairman of the Executive Board.

Our sustainability goals set out that we are transparent about the percentage of loans which temporarily do not comply with the bank's sustainability policy. We explain in our annual report why this is the case and what measures we take to counter this, along with any change in the percentage.

Read about our Food & Agri Principles [here](#).

Read about our ethical issues [here](#).

Read [here](#) about our core values, ethics statement and code of conduct.

Total sustainable financing

21,903 million euros



+2%

compared to
year-end 2013

Objective: Cooperation with business customers

- KPI: Rabobank will give leaders in sustainability priority when providing finance and will double the amount of services provided to these customers.
- KPI: The percentage of business customers indicating that they were satisfied with the way sustainability was discussed in the customer meeting increases annually.
- KPI: By 2020, all our business customers will have optimum access to the sustainability expertise relevant to them, and the sustainability performance of all major business customers will be set out in a customer 'sustainability photo'.

Status as at year-end 2014:

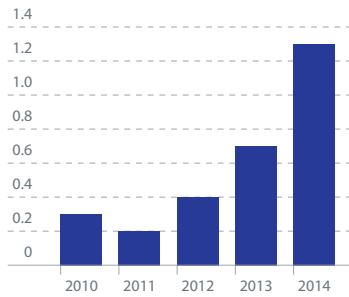
- Rabobank provided a total of EUR 21.9 billion in finance with a positive social impact by year-end 2014, a 2% increase over 2013.
- Through our entity Rabo Groen Bank (RGB), we allocate a total of EUR 200 million in finance to projects funded through 'green' financing.
- We are market leader in the US and Canada, in the wind and solar energy sector, with the largest number of transactions.
- We are market leader in the Netherlands in wind farm financing, including the largest on-shore wind farm (NOP Agrowind) and the first near-shore wind farm (Westermeerwind). The funds we provide contribute significantly to increasing the scale of renewable energy generation, as set out in the Energy Agreement.
- We are ranked in the top 10 of Bloomberg's New Energy Finance League Table, an international ranking of investors who are most active in renewable energy generation.
- We help clients to seize opportunities in the circular economy, for example through the Circular Economy Challenge, a programme through which Rabobank and its partners assist nine companies in developing a business case related to circular enterprise. We hosted the Agri Meets Chemicals conference in late September 2014 and are members of advisory boards to the Dutch and European governments.
- We calculated the sustainability performance of more than 36,000 eligible clients in the Netherlands. This has made it easier for us to monitor the small number of clients that do not comply with our sustainability policy. This category accounts for less than 1% of our client base.
- Of the 48 significant controversies which came to the attention of our corporate sustainability department in 2014, fifteen concerned social and human rights issues, nine involved environmental issues, one was related to governance aspects, five were concerned with policy, and eighteen issues entailed a combination of issues. All controversies occurred in the following sectors and industries: forestry, cocoa, cattle farming, beverages, energy/metals, cotton, agriculture, palm oil and sugarcane.

There are currently no reliable quantitative data available for calculating the percentage of business customers who indicate that they were satisfied with how sustainability was discussed during the customer meeting. We are currently developing a reporting process that will enable us to communicate the progress in terms of numbers.



Read more about this subject [here](#).

**Sustainable funds
in billions of euros**



Objective: Advising private customers

- KPI: The percentage of private and Private Banking customers indicating that they can reconcile their finances with their sustainability goals increases annually.
- KPI: By 2020, more than 80% of private customers from vulnerable populations will feel that they can manage their banking matters securely and efficiently through Rabobank.
- KPI: The percentage of private customers and Private Banking customers who are interested in sustainability and indicate that they were satisfied with the manner in which this was discussed during the customer meeting increases annually.

Status as at year-end 2014:

- We signed the Transition Zero agreement, a broad initiative to give as many homes as possible in the rental and for-sale markets an energy-neutral retrofit.
- Five local Rabobanks organised a Smart Renovation event to raise awareness of options for homeowners to 'green' their home.
- Through our participation in the National Energy Savings Fund (NEF), we are involved in more than 500 loans (worth a total of EUR 5.9 million) to encourage consumers to take energy-saving measures. The majority of these loans were used to purchase energy-efficient glass, insulated doors and external wall insulation.
- We are 'greening' our range of investment products. In addition to the numerous sustainable mandates Rabobank manages on behalf of various institutions and charitable organisations, a total of EUR 1.3 billion is currently invested through sustainable investment funds and trackers of more than ten different providers.
- We support vulnerable populations such as elderly people with dementia and people who are illiterate, through projects organised by the Rabobank Foundation among others.
- We developed the Samen Bankieren ('Banking Together') concept, which supports customers who are unable to organise their own banking matters, and support the Thuisadministratie (Home Finance) programme developed by volunteer organisation Humanitas, which provides support to people with financial difficulties.

There are currently no quantitative data available to calculate the percentage of private customers and Private Banking customers who indicate that they can match their finances with their sustainability ambitions with appropriate financial products. This also applies to the percentage of private customers from vulnerable populations who feel they can manage their banking matters securely and efficiently with Rabobank. We are currently developing a reporting process to communicate the progress made in terms of numbers.

➤ Read more about this subject [here](#).

RobecoSAM

Up from 17 to 12 in the ranking



compared to the result in the same period in 2013

Objective: Our commitment

- KPI: Through higher energy-efficiency, by reducing the amount of transport and by 'greening' transport and other services, we aim to further reduce carbon emissions per FTE in 2020 by 10% compared with 2013.
- KPI: Our goal is for 80% of the Dutch public to positively associate Rabobank with sustainability by 2020, and with at least one of the following issues: 1) sustainable agriculture and a sustainable food supply, 2) vital communities.
- KPI: Cooperative and sustainable banking constitute an integral part of our recruitment and selection process and of each employee's training programme.
- KPI: Our goal is for the organisation to improve its score annually on the issues 'cooperation with the customer' and 'characteristics of cooperatives' in the Employee Engagement Survey.

Status as at year-end 2014:

- Our carbon footprint fell from 2.1 to 2.0 tonnes per FTE.
- We are working with suppliers to improve the sustainability of our procurement supply chains, including through FIRA, a platform through which suppliers can have their sustainability performance verified and demonstrate and share this performance in order to further improve the transparency of the procurement supply chains. We only contract suppliers who best satisfy and are most compliant with the Rabobank sustainability criteria, targets and objectives.
- Based on an assessment by RobecoSAM and compared against the banks listed in the global Dow Jones Sustainability Index, Rabobank's provisional score increased from 81 to 83 points, giving it a ranking of 12 in 2014 (up from 17 in 2013).
- Rabobank currently ranks twenty-third in the Transparency Benchmark (overall ranking) of the Netherlands Ministry of Economic Affairs, down from its previous ranking of eleven. Rabobank aims to raise its score by improving its sustainability performance and through transparent communication on this performance.
- According to the Dossier Duurzaam sustainability survey (which tracks changes in consumers' attitude and perception in relation to sustainability/CSR and the image of brands in this area), Rabobank is ranked firmly in the top 10 of sustainable brands among customers based on top-of-mind awareness.

There are currently no quantitative data available to measure employee KPIs. We are developing a reporting process to communicate our progress in this area in terms of numbers.



Rock-solid
bank

Full customer
focus



Meaningful
cooperative

Empowering employees

Empowering employees

Rabobank has been undergoing a radical transition, the objective of which is to ensure that, by 2016, all its processes, procedures and commitments are designed to maximise benefit for its customers. The transition will affect the structure of the organisation and also have a major impact on employees in both their personal and professional lives. These changes have already resulted in a workforce reduction at local Rabobanks, with more cuts to follow after the redesign of Rabobank Nederland and the international banking business. The Rabobank Nederland Works Council has been closely involved in this ongoing process.

Employment, workforce reduction and Sociaal Plan

As part of the Vision 2016 programme, a total of approximately 9,000 jobs will be eliminated at Rabobank in the Netherlands between 2012 and 2016, roughly 25% of all jobs to be found at the bank. At year-end 2012, Rabobank employed a total of 41,858 people in the Netherlands, a number which had been reduced to 40,043 by the end of 2013 and was further cut to 36,489 by year-end 2014. Although we are aware that these job cuts result in lower employment, a workforce reduction is necessary in order for us to remain a strong bank in the future, to continue serving the Dutch economy and to continue offering our employees excellent opportunities.

Rabobank maintains its own Collective Labour Agreement (CLA). In order to ensure that the workforce reduction proceeds as scrupulously as possible, the bank signed a Sociaal Plan with the trade unions in 2013, as part of the Agreement for 2013-2015. The negotiating partners agreed in 2014 that the Agreement would be renewed until 2016, including the Sociaal Plan. This ensures that the employees who are to be made redundant between now and the end of 2016 are informed of the type of support they will receive during this process and what terms of severance will apply.

The current 2013-2015 Collective Labour Agreement stipulates that no collective wage increase will take place during this period, while the extended Agreement for 2016 provides that there will again be no such collective wage increase in 2016. The feedback we have received on the renewal of our Sociaal Plan has been largely positive, on account of the generous severance packages we will continue to offer those leaving the company. Others, however, feel that by upholding the extended pay freeze, we are reducing the net purchasing power of employees remaining with the company. We emphasise however that we made this decision in good conscience and in conjunction with the trade unions. We consider it extremely important to act meticulously and in accordance with the highest principles in parting ways with employees, a great number of whom have served the company for many years. In addition, the general pay freeze is also consistent with Rabobank's wish to scale back its terms of employment.

The Sociaal Plan, which is designed to avoid redundancy and job cuts as much as possible, provides for a phase of 'active mobility', as part of which employees whose position will be eliminated in the near or more distant future will be offered additional opportunities to find

work, either within our organisation or elsewhere. The plan provides that employees who are made redundant will receive support from a mobility centre and specifies the amount of severance pay to which the employee is entitled.

Culture Collective culture programme

We are aware that our actions are closely scrutinised by the outside world and that the trust of the community is no longer a given and must be earned. In fact, we have found that our customers wonder whether we do always act in their best interest and whether we provide them with the services which they are entitled to expect. It is this loss of confidence and trust that served as the impetus for the 'Culture Collective' culture change programme.

Rabobank conducted a global culture survey among its employees in early 2014. Our people made it very clear in their responses that they would like to see a change in this culture. Based on the principle that leading by example is the most effective form of leadership, we decided to initiate this culture transition at the management level.

Our culture programme focuses on our day-to-day interactions with our customers and each other. We want each and every employee to contribute in their own way to Rabobank's objective of reclaiming its position as the bank whose customers feel they come first, of which we can all be proud, and where we all enjoy working. We challenge each other to make this effort, remind each other of the importance of honouring our commitments, hold each other accountable for our statements and allow others around us to hold us accountable at the same time.

The board of directors of local Rabobanks and management teams at Rabobank Nederland were invited to become involved in Culture Collective along with their teams. This enabled them to initiate the culture transition at their own bank or in their own department. There are currently 108 teams involved in this process in total, supported by 340 Rabobank culture coaches, who are in charge of supervising the process. Employees outside the Netherlands have attended a behaviour workshop. The employees in the Netherlands will also be invited to complete this workshop in 2015. The internal dialogue on culture and the desired behavioural change is conducted through employee meetings, blogs and internal social media. The programme will run until the end of 2015. Rabobank subsidiaries DLL and Rabo Real Estate Group have since launched their own culture programmes.

Banks in the Netherlands have drafted the Future-oriented Banking package, which contains a Social Charter and rules of conduct for all employees in the financial industry and an updated Dutch Banking Code (including the bankers' oath and corresponding disciplinary scheme). Rabobank employees will be engaging in a debate with each other in 2015 about the bank's values and the significance of these values in their day-to-day work. In the Netherlands, those participating in the internal debate are asked to take and sign the bankers' oath. We regard the act of signing and taking this oath not so much as a legal obligation but, above all, as one of the stages of our journey towards establishing a culture of openness, transparency and customer focus.

Talent development and management

Rabobank encourages young talent, ambitious colleagues, seasoned professionals and experienced managers to give their very best to the organisation. This is important not only because it enables our bank to achieve the best results, but also because it helps employees to remain motivated, challenged and content.

Rabobank has developed a Group-wide management and talent development policy. We consider the talent pool from a broad perspective, based on clear definitions of the terms 'talent' and 'potential', so as to be able to evaluate all colleagues based on the same criteria. Assessments are one of the tools we use in this process. As part of these efforts, we also continue to document and monitor talent development, potential and opportunities for advancement within the organisation.

The best people in the right places

Based on the knowledge acquired in this way, we make every effort to ensure that the best people end up in the right places, using a process based on talent identification, talent development, talent management, succession planning and appointments. This input is subsequently considered during our appointment meetings. During these meetings, a committee reviews the opportunities available for talent and management. The committee focuses on talent development and talent rotation, as well as on gender diversity in the composition of boards of directors and management teams.

Integrating departments

As part of the process of increasing our organisation's effectiveness, we have integrated the departments which are involved in talent management and development on behalf of the bank's Dutch and international entities. We firmly believe that the targeted development of our talented employees and managers will contribute to the desired culture change and will help us retain this group of colleagues within our ranks.

Senior management

The bank began using development assessments in 2014 specifically for members of senior management, including chairmen of local boards of directors. We have been using these assessments as a tool for management development since 2014. To date, this process has already resulted in a spate of individual talent profiles and development plans. These profiles contain individual descriptions of each candidate, along with detailed information on the personal leadership style and past performance of the candidate and an analysis of their potential. This targeted development of our senior management will contribute to the culture change we have initiated.

Trainees

As part of our efforts to attract new talent for Rabobank in a competitive market, we have also further professionalised our campus recruitment programme. This process begins at the Bachelor's level and involves unique initiatives such as the RaboBattle, guest lectures by Rabobank employees, and deal teams comprised of employees who visit their former university towns to recruit future staff.

Online platforms also play a role in the recruitment process, and the RaboWorkx platform is designed to attract interest in the bank among specific groups of potential employees. The bank moreover makes extensive use of various social media, business courses and open days as part of the recruitment process. Rabobank's policy is also aimed at recruiting talented graduates in less obvious (i.e. non finance/economics-related) fields and to achieve gender equality in our recruitment processes to build a diverse population of employees.

The trainee programmes of the future will be more consistent with the needs of the trainees and the bank's future requirements in the coming period. Key aspects in this regard include rotation, advancement within the bank's various entities, targeted career guidance and matching services.

Gender diversity: 'women on top'

Although the male-female ratio at Rabobank is roughly equal, the sexes are unevenly distributed among the various positions at the bank: the share of women is significantly lower at more senior levels in the organisation.

We implemented a gender diversity policy in 2012 and in April 2014 Rabobank signed the [Talent to the Top](#) Charter, a code which clearly stipulates how gender diversity is to be achieved at the upper echelons of companies. While organisations are not required to sign the charter, once they do they are bound by its provisions.

Members of the bank's top management have been attending diversity training in order to become more aware of their own bias and prejudices. In addition, hundreds of female employees attended lunches organised by Rabobank's female executives. They discussed with each other – and with their male colleagues – the 'glass ceiling' that prevents women from advancing in their careers. The bank also organised empowerment training for hundreds of employees, in which they learn to take charge of their own career with greater determination and confidence.

Despite these various efforts, however, we were unfortunately unable to achieve the targets set in the past year. Nevertheless, the organisation has developed a much greater awareness of, and increased its commitment to, the issue of gender diversity. We will redouble our efforts in 2015 to make diversity in all its facets even more of a priority at Rabobank. We remain committed to ensuring that all talented employees are given equal opportunities to develop within the organisation, irrespective of their sex, cultural or ethnic background, sexual orientation or age. Indeed, we regard diversity as one of the most important management issues of the coming years.

Vitality, resilience and absenteeism

Mindful that all effective organisations benefit from fit and healthy employees, Rabobank has made absenteeism, resilience and vitality cornerstones of its human resources policy. Having noted in 2014 that employees at local Rabobanks felt less engaged and experienced a higher degree of work-related stress, we offer a variety of tools to help empower our people.

A total of 63% of employees of local Rabobanks reported feeling a sense of vitality in 2014 (2013: 67%), while 68% stated that they felt 'engaged' (2013: 73%). 57% of employees have proactively taken measures to shape their career (2013: 58%).

45% of employees did not call in sick at all in 2014 (2013: 39%) and of the employees who did report sick, 80% recovered within one week.

A relatively large number of employees of local Rabobanks were at risk of becoming incapacitated due to a high workload or work-related stress. A total of 32% of employees indicated that they were coping with higher workload pressure (2013: 30%); 16% were affected by work-related stress (2013: 14%). Both of these key figures exceed the standards established in the company Working Conditions Policy (25% and 15%, respectively). It should be noted that there are marked differences between individual departments and positions. The scores provided by advisors and employees in sales and marketing positions, for example, indicated higher levels of workload pressure and work-related stress and a lower level of engagement.



Dilemma: more work for fewer people. How do we ensure that our employees remain healthy and engaged when they are experiencing a higher workload and higher stress levels?

Employee vitality is something to be protected and nourished – and almost as important for the bank as it is for our employees. In fact, it is a key factor in whether the bank can achieve its objectives, including its customer satisfaction targets. We also wish to help our people to continue working longer in good health and with a high level of engagement.

Our current customer service organisation requires greater efforts on the part of our employees. This is the result both of legislation and regulations and of our improved level of customer service, along with the substantial number of job cuts in the organisation.

A growing number of customers are expecting us to provide virtual services that allow them to purchase and use products and services through automated processes quickly and on a

24/7 basis, and the Vision 2016 programme is designed to facilitate these needs. These online services have greatly improved customer service efficiency, which, in turn, has reduced the number of employees and branch offices required.

We measure workload pressure and work-related stress on a periodic basis and provide various training courses to help alleviate these stressors. The culture programme also plays a part in reducing workload pressure and work-related stress by encouraging employees and managers to discuss these issues openly with each other. It is particularly important to view workload pressure from the perspective of the high-impact transition the bank is currently undergoing. Radical changes are currently being implemented virtually simultaneously, but this situation is temporary – a necessary stage we need to complete. Once employees become aware of this situation, they will be less likely to perceive workload pressure as work-related stress.

The absenteeism rate among Rabobank employees increased by 0.21 percentage points in 2014 over 2013 (3.48%¹), making absenteeism, at 3.69%, equivalent to the standard of 3.7%. 46% of the long-term absenteeism involved psychological issues (2013: 48%).

The rate of work-related absenteeism increased in 2014. Among 32% of all employees who were ill for an extended period of time, their absence was related to the work situation (2013: 26%). The causes of work-related absenteeism include mental and psychosocial factors and impaired working relationships.

A total of 71% of trusted persons were consulted in 2014 (2013: 70%), with each trusted person receiving an average of 2.2 reports (2013: 2.0).

¹ In 2013, we reported an absenteeism rate of 3.46%. Absenteeism rates may change marginally as the year progresses due to previously unreported cases of absenteeism and/or confirmations of the employee's recovery.

Increasing resilience

Resilience is defined as the capacity to deal with difficulties, setbacks and changes. It is particularly important that employees are aware of their own skills and talents and know how to use them effectively. Indeed, it will be as important as ever in 2015 for employees to increase their resilience and vitality. Vital, resilient employees have faith in their own strength and act accordingly – they form the basis of Rabobank's resilience.

Identifying problems

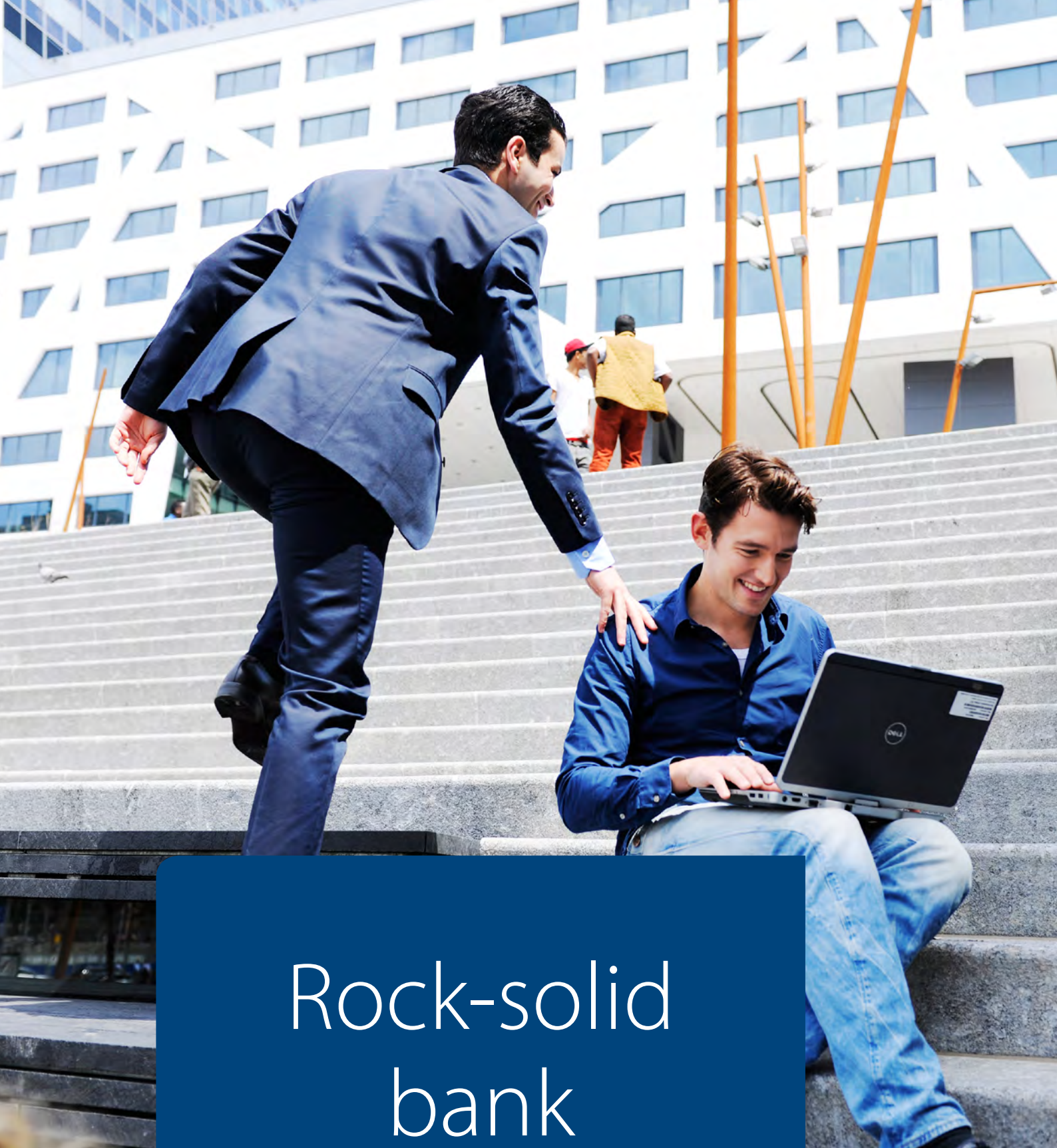
In 2014, we raised awareness in the organisation of Herken de druppel ('Recognise the Signs'), a national campaign launched by the Netherlands Ministry of Social Affairs and Employment, which focuses on how employees can identify workload pressure and work-related stress. High workload pressure is both an individual issue and an organisational issue. For example, how do regulations affect how our employees perform their work? Recognising and acknowledging these effects are essential steps in tackling the issue at the organisational level.

The challenge is to implement regulations such that employees feel that they are allowed sufficient scope to serve customers effectively, the workload remains manageable and they continue to enjoy their jobs. This requires a shift in behaviour from supervision to guidance; a change in attitude and behaviour. As well as working to improve workload pressure and work-related stress, these measures will increase employee engagement: the employee survey revealed that management based on trust (that is, management as opposed to supervision) is the number one factor when it comes to employee engagement.

Industrial Relations Disputes Procedure

In a large and dynamic organisation such as Rabobank, tensions are bound to arise at some point or other, just like in any environment in which people work closely together. The counsellors and mediators of the Industrial Relations Disputes Procedure (GRA) last year again supported managers and employees in finding appropriate solutions to various conflicts. The GRA was requested to intervene in a variety of issues, ranging from complex, impending disputes to conflicts which had already escalated by the time they were reported.

The GRA took on a total of 243 cases in 2014 (2013: 265). The majority of these disputes are resolved through counselling (2014:179). Counselling services (by phone) were provided in 16 cases, while mediation services were provided in 35 cases. In addition, the Industrial Relations Disputes Committee also delivered a binding ruling in four disputes. A total of thirteen cases were handled altogether; the bulk of these related to employees' future prospects combined with their performance or with organisational changes, often as related to the employee's possible termination of employment. The remainder of the disputes concerned the employee's performance itself, reorganisation, terms of employment or industrial relations.



Rock-solid bank

Full customer focus

Empowering employees

Meaningful cooperative



Rock-solid bank: performance

Rabobank Group

Rabobank Group booked result of EUR 1.8 billion

The Dutch economy showed very slight growth in 2014. Disposable household income increased slightly, but growth in consumption was slowed by repayment of mortgage debt and capital accumulation. It was again a difficult year for many small and medium-sized enterprises (SMEs). Amounts due to customers rose by EUR 0.3 billion to EUR 326.5 billion and the loan portfolio declined by EUR 4.3 billion to EUR 430.4 billion. On balance, this resulted in a loan-to-deposit ratio of 1.33 (1.35). The liquidity buffer, measured in High Quality Liquid Assets, stood at EUR 80 (84) billion. The net result of Rabobank Group amounted to EUR 1,842 million in 2014, a decline of EUR 165 million. The result was negatively affected by the non-recurring resolution levy in relation to the nationalisation of SNS Reaal. In 2013, profit was positively affected by factors including the sale of Robeco. Excluding these effects, there was an improvement in the net profit. Operating expenses fell as a result of the reduced workforce and lower reorganisation costs. The return on tier 1 capital amounted to 5.2%. Bad debt costs¹ were in line with 2013 and at 60 basis points² of the average loan portfolio were still well above the long-term average of 32 basis points. Most of the losses occurred in the domestic portfolio, and related mainly to commercial real estate. In addition, the Asset Quality Review (AQR) led to an expense of EUR 448 million. Bad debt costs on residential mortgages in the Netherlands were still very limited, at 5 basis points of the mortgage portfolio. Solvency remained as strong as ever, with a common equity tier 1 ratio of 13.6% and a capital ratio of 21.3%.

1 In the financial statements, the bad debt costs are referred to as 'value adjustments'.

2 One basis point equals 0.01 percentage point.

Progress in realisation of financial targets

EDTF 4

Rabobank Group's progress in the realisation of its strategic financial targets regarding profitability, solvency and liquidity is described below:

- The return on tier 1 capital - whereby the net profit is related to the level of tier 1 capital at the beginning of the year - amounted to 5.2% (5.2%). The target for 2016 is set at 8%. Cost savings and virtualisation of the services provided by the local Rabobanks and Rabobank Nederland, as well as further improvement of the returns realised by the other commercial divisions, should contribute to an increase in this return in the coming years.
- The common equity tier 1 ratio, the common equity tier 1 capital as a percentage of the risk-weighted assets, amounted to 13.6% (13.5%). The capital ratio, which relates the qualifying capital to the risk-weighted assets, amounted to 21.3% (19.8%). In the coming years, Rabobank intends to increase its capital ratios by improving its profitability and introducing strict targets

for the volume of its risk-weighted assets. Rabobank Group's target for year-end 2016 is a common equity tier 1 ratio of 14% and a capital ratio of at least 20%.

- The loan-to-deposit ratio, which shows the relationship between lending and amounts due to customers, amounted to 1.33 (1.35). In 2014, there was a decline in lending, while amounts due to customers remained stable. We aim to improve the loan-to-deposit ratio to 1.30 by year-end 2016.

Reorganisation of Rabobank Nederland

The Mars programme was started at year-end 2013 with the main objective of streamlining the organisation of Rabobank Nederland to become more efficient and better designed to support the local Rabobanks. Ultimately, this should enable the local Rabobanks to offer their customers a better service. Part of this main objective concerns a reduction of EUR 200 million in the costs of Rabobank Nederland in 2016 compared to 2013. A decline in the workforce at Rabobank Nederland of between 1,000 and 2,000 FTE in the period until 2016 should contribute to this reduction in costs. In addition, the Mars programme includes the integration of the support services departments of Rabobank Nederland and Wholesale, Rural & Retail.

Uniform structure and operation of processes

Rabobank started working according to the principles of chain management both locally and centrally in 2014. The aim of this structure is that the internal processes should match each other perfectly, both in the daily business and in the changes taking place in the business. The chains operate according to a number of agreements and rules and conditions to ensure uniformity within the bank for both customers and employees. Consistent application of these rules and conditions will allow us to build a strong link between the central and local chains. This will bring about a clearer streamlining of our operations.

Development of credit ratings

Standard & Poor's (S&P) reduced its rating for Rabobank from AA- to A+ in 2014. The adjustment is the result of the annual evaluation by S&P which took place in October. The decision to adjust the rating was mainly based on S&P's expectation that our bad debt costs in commercial real estate and the SME sector will continue at the high levels seen in 2014 in the coming two years. Rabobank is more positive in its assessment than S&P, as the real estate sector appears to have passed its worst point. As a result of the current recovery in the Dutch economy, we expect a significant reduction in bad debt costs in the SME sector in 2015.

In the first half of 2014, DBRS reduced the rating of Rabobank from AAA to AA (high). The ratings of Moody's and Fitch at the end of the reporting year were Aa2 and AA- respectively.

Fifth place among the world's safest banks

Based on the situation in August 2014, Rabobank occupied fifth place in the world ranking list of the safest commercial banks compiled by the American business magazine Global Finance. The magazine bases its annual ranking list on the ratings and balance sheet totals of the banks. Rabobank was ranked the safest bank in Europe.

Reputation

Rabobank has traditionally enjoyed a strong reputation in the Netherlands. We used to have a big lead over the next-ranked bank on the basis of many indicators. The Libor settlement in 2013 damaged our reputation and our score on more or less all the indicators declined. Confidence in Rabobank was under pressure. Our big lead over the next-ranked bank became a small one.

Things turned around during 2014. The decline in the bank's reputation came to an end, and there has been a cautious recovery. We will strive to achieve to further restore our reputation in 2015.

1 These figures are based on a survey by the research agency No Ties. Every year, over 5,000 people in the Netherlands are interviewed about the reputation of the various banks in the Netherlands. They are asked which reputation indicators they associate most strongly with which banks (multiple answers are possible). This results in scores for the banks on each of the various reputation indicators.

Bank reputation for cross-section of the Netherlands¹				
	<i>Second half 2014</i>	<i>First half 2014</i>	<i>Annual average 2013</i>	<i>Annual average 2012</i>
Rabobank as a cooperative				
Awareness of Rabobank as a cooperative	80%	77%	81%	76%
Positive rating of Rabobank as a cooperative	51%	52%	56%	57%
Rabobank's image				
Trustworthy	No. 1: 34%	No. 1: 33%	No. 1: 39%	No. 1: 46%
<i>Lead over no. 2</i>	<i>6 percentage points</i>	<i>4 percentage points</i>	<i>12 percentage points</i>	<i>14 percentage points</i>
Bank preference				
Preference for Rabobank	No. 1: 50%	No. 1: 46%	No. 1: 52%	No. 1: 53%
<i>Lead over no. 2</i>	<i>6 percentage points</i>	<i>3 percentage points</i>	<i>9 percentage points</i>	<i>10 percentage points</i>

Similar figures are not available for the other countries in which Rabobank operates.

The reputation of Rabobank in the area of food and agri will be measured in a number of countries in 2015.

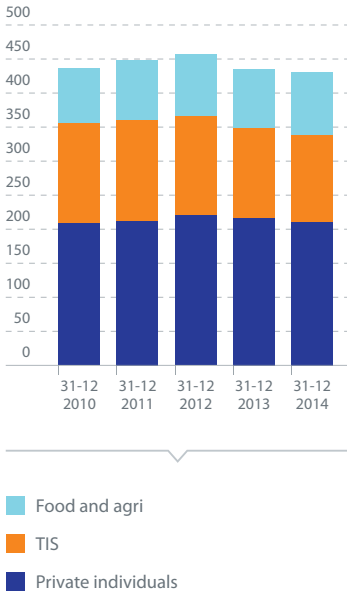
Improvement measures post-Libor

In October 2013, Rabobank reached agreement with various authorities in relation to the investigations of the internal processes for Libor and Euribor submissions. The bank acknowledged that certain employees had acted inappropriately, and on the publication of the findings committed itself to introducing measures and reforms to prevent further inappropriate conduct and to restore confidence in the bank.

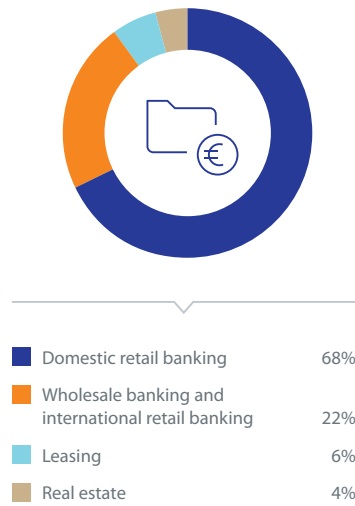
Rabobank has subsequently introduced or initiated a wide-ranging package of improvement measures. These measures are an important element in the current wider change to the Rabobank organisation. During its own internal investigation, Rabobank has already invested in improving its interest rate benchmark processes. New systems and tighter controls have led to a robust benchmark process that meets the new market standards and requirements set by the supervisors. Moreover, in recent years extensive attention has been devoted to the bank's risk profile and the functioning of the internal control environment. This has led to an adjustment of the risk profile and composition of the activities in the financial markets to better reflect the current market, the bank's strategy and the needs of its customers. Significant improvement processes have also been initiated to strengthen the compliance, risk management and audit functions and to improve their mutual cooperation. Improving the bank's risk management is an important focus of these processes. Finally, the Culture Collective programme initiative is designed to bring about a change of culture throughout the bank with the aim of improving the culture of the organisation and its associated behaviour.

Rabobank has designed a programme structure to maintain an overview of the implementation of the various improvement measures and to monitor progress. The programme puts the Executive Board in a position to make immediate and effective changes if necessary and also ensures that supervisors are regularly updated on progress. Implementation of the measures is now at an advanced stage and the programme is expected to be completed in the course of 2015. The improvements will be audited as part of this programme.

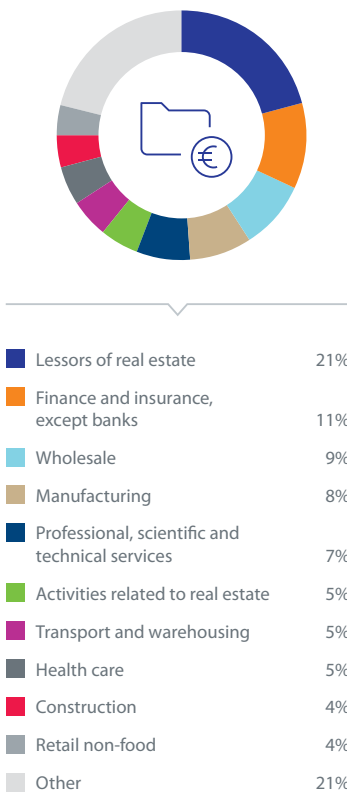
Loan portfolio by sector
in billions of euros



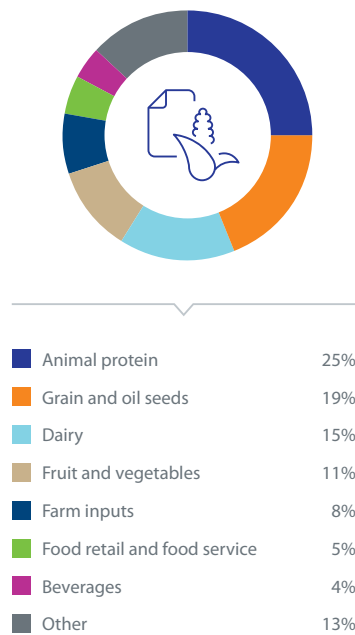
Loan portfolio by entity
at year-end 2014



Loan portfolio TIS by industry
at year-end 2014



Loan portfolio food and agri by industry
at year-end 2014



Limited decline in loan portfolio

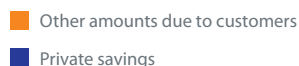
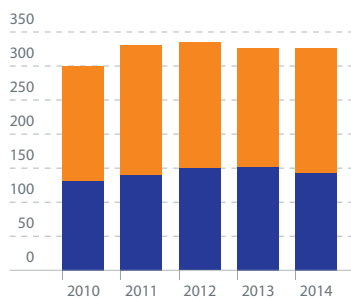
The private sector loan portfolio at Rabobank Group declined by EUR 4.3 billion in 2014, to EUR 430.4 (434.7) billion. The loan portfolios of Wholesale, Rural & Retail and DLL showed an increase. The loan portfolio of FGH Bank declined slightly and the portfolios of the local Rabobanks declined, partly due to additional mortgage repayments. The distribution of the loan portfolio is: 75% in the Netherlands, 9% in North America, 3% in Latin America, 6% in Europe (outside the Netherlands), 5% in Australia and New Zealand and 2% in other countries.

The loan portfolio consisted of 49% of loans to private individuals, 30% of loans to trade, industry and services (TIS) and 21% of loans to the food and agri sector. Higher repayments on private residential mortgages contributed to a decline in loans to private individuals to EUR 210.8 (216.4) billion. The volume of the TIS portfolio amounted to EUR 127.3 (131.3) billion. EUR 91.6 (97.8) billion of this amount was lent in the Netherlands, and EUR 35.7 (33.5) billion in other countries. Lending to the food and agri sector increased by 6% to EUR 92.3 (87.0) billion. EUR 60.2 (57.3) billion of this amount was lent to the primary agricultural sector. The food and agri portfolio at Group level consisted of EUR 31.6 (32.6) billion in loans in the Netherlands and EUR 60.7 (54.4) billion in loans in other countries.

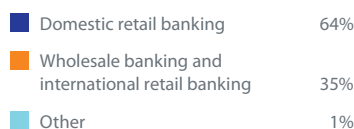
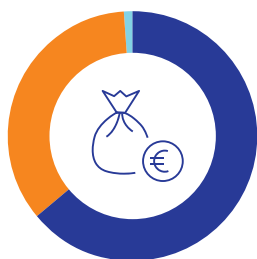
Amounts due to customers virtually stable

Amounts due to customers at Rabobank Group stood at EUR 326.5 (326.2) billion. Amounts due to customers at domestic retail banking declined by EUR 6.6 billion to EUR 209.1 (215.7) billion. At wholesale banking and international retail banking, amounts due to customers rose by EUR 7.3 billion to EUR 115.8 (108.5) billion. Private savings are the largest component of amounts due to customers, and declined by 6% at Group level to EUR 142.6 (151.5) billion.

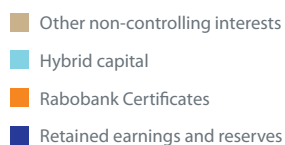
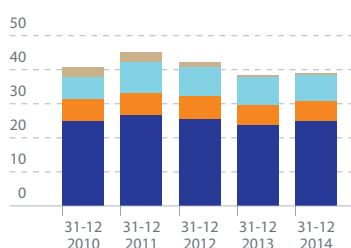
Amounts due to customers in billions of euros



Amounts due to customers by entity at year-end 2014



Equity in billions of euros



Amounts due to customers

<i>in billions of euros</i>	31-Dec-14	31-Dec-13
Total amounts due to customers	326.5	326.2
Private savings	142.6	151.5
Domestic retail banking	119.9	125.2
Wholesale banking and international retail banking	22.7	26.3
Other amounts due to customers	183.8	174.7
Domestic retail banking	89.2	90.5
Wholesale banking and international retail banking	93.1	82.1
Other entities	1.6	2.1

Development of equity

Rabobank Group's equity amounted to EUR 38.9 (38.5) billion on 31 December 2014.

The retained earnings – the amount of profit that can be added to capital – amounted to EUR 0.6 billion. Equity declined by EUR 1.3 billion as a result of the redemption of old Capital Securities and Trust Preferred Securities. This decline was more than made up for in early 2015 by means of the issue of EUR 1.5 billion in new [hybrid capital](#).

Of equity, 64% consists of retained earnings and reserves, 15% of Rabobank Certificates, 20% of hybrid capital and 1% of other non-controlling interests. The retained earnings and reserves amounted to EUR 24.9 (23.7) billion.

Development of equity

<i>in billions of euros</i>	
Equity at the end of December 2013	38.5
Net profit	1.8
Payments on certificates, hybrid capital and other non-controlling interests	-1.2
Retained earnings	0.6
Issued Rabobank Certificates	0.1
Repayment of Capital Securities and Trust Preferred Securities	-1.3
Foreign currency translation reserve	0.5
Other changes	0.5
Equity at the end of December 2014	38.9

Rabobank Certificates

Rabobank Certificates have been listed on Euronext Amsterdam since 27 January 2014.

The target minimum return on the Rabobank Certificates is 6.5% on an annual basis. The price rose from 105.00% (EUR 26.25) on 27 January 2014 to 107.45% (EUR 26.86) on 31 December 2014. The average daily turnover on the stock exchange in this period was 7.3 million securities, and the total volume of securities traded was 238 million. The stock exchange listing means that the Rabobank Certificates are now also available to persons who are not members of Rabobank, thus increasing the tradability of this instrument.

Single Supervisory Mechanism (SSM)

The European Central Bank (ECB) assumed its supervisory duties under the Single Supervisory Mechanism (SSM) in November 2014. Since November 2014, the ECB is responsible through the SSM for supervision of all credit institutions in the eurozone. The objective of the SSM is to safeguard the security and stability of the European banking system. In cooperation with national authorities, the ECB carries out the direct prudential supervision of large credit institutions in the eurozone, including Rabobank. Before the ECB commenced its supervisory duties, it carried out an exercise known as a Comprehensive Assessment involving 130 credit institutions in order to assess the quality of bank balance sheets. This Comprehensive Assessment consisted of three elements: a Supervisory Risk Assessment (the risk assessment),



Dilemma

How can we meet both the public demand for loans and the requirements set by the supervisor?

Rabobank strives to achieve sound capital ratios appropriate to our ambition to be a rock-solid bank. Growth in lending with no change in capital will however lead to lower capital ratios.

The supervisor is requiring banks to maintain higher capital buffers. This is necessary to make banks more resilient in case of losses. Most of the buffers are currently established on the basis of a bank's risk-weighted assets. For each loan, the bank uses models to determine the risk weight depending on the risk involved in the loan. The higher the risk weight, the more equity the bank has to hold for the loan in question. The total amount of the loans multiplied by the risk weights is known as the risk-weighted assets. If lending increases, the volume of these assets will also rise.

A bank has various options for strengthening its buffers. For instance, a smaller loan portfolio with unchanged capital will lead to higher capital ratios. A bank can also strengthen its position in this respect by increasing its capital, for instance by retaining earnings.

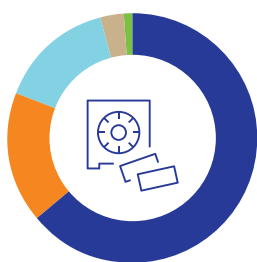
Rabobank sees the funding of economic activity by businesses and consumers as one of its core activities. It is an important means in serving our customers' interests. This means that we want, as far as possible, to continue to provide lending to international food and agri customers and for a broader customer group in the Netherlands. We are however selective

regarding increasing our lending in order to moderate the increase in (risk-weighted) assets. We are also exploring the option of lending without encumbering the balance sheet, for instance by the placement of packages of loans.

We also strive to strengthen our capital ratios by achieving sufficient net profit. In addition to the moderation of the risk-weighted assets, higher capital ratios require large additions to capital in the coming years. This in turn requires a healthy level of profitability. This poses a dilemma: how can we achieve adequate profits and serve our customers interests at the same time?

Adequate net profit – leaving sufficient capacity for adding profit to our capital – requires decent margins on our products. The price we charge our customers for a product must reflect our own costs plus an appropriate profit margin. In addition, we strive to keep our costs in line with the market. The banking risks that we take must be appropriate to our core banking business. At the same time, we have to keep these risks manageable and our charges must be transparent to the public. This should lead to a level of profitability and solid capital ratios that are appropriate to our ambition to be a rock-solid bank that puts the interests of our customers and society at large first.

Composition of equity
at year-end 2014, in billions of euros



Retained earnings and reserves	24.9
Capital Securities	6.5
Rabobank Certificates	5.9
Trust Preferred Securities	1.0
Other non-controlling interests	0.5

an Asset Quality Review (AQR), an assessment of balance sheets) and a stress test, also carried out at Rabobank. The reviews of policy, procedures and data flows were combined with the individual assessment of a large number of files, including valuations of collateral carried out by external experts. The results of the assessment were published by the ECB on 26 October 2014. Rabobank comfortably met the capital requirements set for banks in both baseline and adverse stress scenarios.

Asset Quality Review and stress test

The financial crisis and its profound impact on the banking sector led to the creation of the Single Supervisory Mechanism (SSM) and triggered a sector-wide review of the quality of bank assets by the European Central Bank (ECB). The reference date for this Asset Quality Review (AQR) was 31 December 2013. It thus covered exposures and provisions already recognised in the financial statements for 2013. The findings with respect to the various areas of the AQR and their effect on the common equity tier 1 capital also relate to 31 December 2013. The review focused on a large part of the portfolio. In the Netherlands, the total loan portfolios of the local Rabobanks and subsidiaries were included. In Ireland, the review of the commercial real estate and the corporate loan portfolios were in scope, while in New York the review focused on the portfolio of sizeable corporate finance transactions.

The review also assessed [market risks](#), in particular with reference to Credit Valuation Adjustments (CVA) and fair value assessments of the proprietary land holdings of Rabo Real Estate Group.

The effect of the AQR findings on the 2014 financial statements mainly resulted in an adjustment to the allowance for loan losses. The amount of the allowances recognised in the statement of financial position as at 31 December 2013 were the result of the methodology used by Rabobank for loan losses in 2013. This methodology results in a specific allowance, a collective allowance and a general allowance (also referred to as IBNR) and was based on the information available at the time, events that could have led to [impairments](#) and the models used. During the review no facts emerged that would have given rise to changes to the comparative figures for 2013.

The total addition to the capital requirement and the allowances was established by the ECB to be EUR 2,093 million and published in October 2014. A significant proportion of this addition relating to loans and land holdings has been recognised in the profit and loss account for 2014 as part of the ordinary provisioning process. This mainly concerns adjustments on the basis of information that only became available to the management in 2014.

The financial crisis has led to a more prudent assessment of [credit risk](#). The SSM and the AQR as carried out by the ECB have accelerated this change. For Rabobank, it will lead to the introduction of more conservative and stricter loss indicators. An adjustment to the respective provision levels has already been made in 2014. In addition, the more conservative approach has led to a change in the parameters for the general provision (IBNR). For the determination of its IBNR, Rabobank uses the Expected Loss (EL) as the starting point. In 2014 the EL estimates were changed to reflect more prudent assumptions. Furthermore, an adjustment has been made to the period deemed necessary to identify a loss (the Loss Identification Period). Taking into account developments in the economy and the quality of the portfolio, this period was extended in 2014.

The review of policies, procedures and data flows did not lead to a major adjustment. It has, however, become clear that the increasingly onerous standards will require improvements to policies and procedures. Higher standards will also apply in relation to the management of data flows due to both internal requirements and the future data requirements of supervisors. An implementation plan to improve policies and procedures and the design and operation of data flows has been agreed with the ECB.

The additional expense recognised as a result of the AQR amounts to EUR 522 million (see table below). The AQR adjustment is not fully reflected in the financial statements.

AQR			
<i>in millions of euros</i>	<i>AQR result</i>	<i>Ordinarily recognised in the profit or loss account</i>	<i>Extra impact of AQR on the profit or loss account</i>
Total Credit File Review	1,137	777	-
Collective allowance	690	-	448
CVA	122	-	74
Fair value review	143	34	-
Total gross adjustment	2,093	811	522
Offsetting tax effect		203	130
Total adjustment to net income		608	392

In addition to the AQR, a bank-wide stress test was also carried out. This stress test was requested by both the EBA and the ECB, whereby the ECB connected the point-in-time AQR and the forward-looking stress test by adjusting the starting balance sheet positions in line with the findings of the AQR. The results showed that Rabobank comfortably met the minimum capital requirements set for banks in both the baseline and adverse stress scenarios.

Negative interest on deposits

On 5 June 2014, the Governing Council of the ECB decided to reduce the deposit interest rate that had stood at 0% since July 2012 to -0.10% with effect from 11 June 2014. This is a highly unusual measure, since it means that banks, including Rabobank, will have to pay if they hold surplus funds overnight at the ECB. On 10 September 2014 the ECB reduced the deposit rate by a further tenth of a percentage point, bringing the rate to -0.20%.

The negative deposit interest rate has led to negative values for Eonia and Euribor, the reference rates for the interbank money market in the eurozone. In the case of Eonia, this had already happened in August 2014. 1-month Euribor turned negative for the first time in January 2015. This means that banks will pay interest rather than receive it if they lend money to other banks for short periods. Since the ECB decided on 22 January 2015 to start purchasing bonds on a much larger scale than it previously did by focusing on government bonds with effect from March 2015, there may be further downward pressure on the reference interest rates which may in turn lead to rates for other maturities turning negative.

Since the interest rates on some of Rabobank's products are linked to Eonia and Euribor, the negative reference rates have also led to some customer groups no longer receiving interest and having to pay interest on the credit balances they hold at the bank. This mainly concerns financial institutions and large corporates. Most customers with a business current account for which the interest rate is linked to Eonia or Euribor will however not have to pay anything if the calculated customer interest rate falls below zero. Among private customers with residential mortgages, a very small proportion will be affected by the reference interest rates turning negative. Interest rates on private savings accounts may be reduced further if the reference rates continue to decline.

Development of capital ratios

The Capital Requirements Regulation (CRR) and the Capital Requirements Directive IV (CRD IV) collectively form the European conversion of the Basel capital and liquidity agreement of 2010 (Basel III). These rules have been in force since 1 January 2014 and Rabobank applies them in its reporting, taking account of the fact that the rules are to be phased in over the coming years. The 2013 figures are based on the CRD III regulations applying at the time.

The fully loaded common equity tier 1 ratio is the common equity tier ratio if the provisions of Basel III are fully applied. At year-end 2014 this ratio stood at 11.8% (11.1%). The actual ratio as at year-end 2014 of 13.6% (13.5%) was at a higher level because various adjustments will be applied to the capital gradually over the coming years in accordance with the regulations.

The leverage ratio is the tier 1 capital divided by balance sheet positions and off-balance-sheet liabilities and is calculated on the basis of the definitions in CRD IV. The fully loaded leverage ratio on 31 December 2014 stood at 3.6%. The fully loaded leverage ratio is the leverage ratio if the provisions of the new regulations are fully applied. The actual leverage ratio on 31 December 2014 stood at 4.9% (4.8%). This ratio was at a higher level than the fully loaded leverage ratio at year-end 2014 because various adjustments will be applied to the capital gradually over the coming years in accordance with the regulations.

Impact of implementation of CRD IV on qualifying capital			
<i>in millions of euros</i>	<i>CRD IV 31-Dec-2014</i>	<i>CRD IV 01-Jan-2014</i>	<i>CRD III 31-Dec-2013</i>
Retained earnings	24,528	27,197	27,197
Dividends expected	-119	-119	-119
Rabobank Certificates	5,931	5,823	5,823
Non-controlling interests	28	33	437
Reserves	365	-3,466	-1,089
Deductions	-5,248	-5,931	-3,698
Transitional provisions	3,229	3,294	-
Common equity tier 1 capital	28,714	26,831	28,551
Trust Preferred Securities III-VI	-	-	1,269
Capital Securities	-	-	7,265
Grandfathered instruments	7,283	7,283	-
Non-controlling interests	6	7	-
Deductions	-3	-	-1,993
Transitional provisions	-2,126	-1,992	-
Tier 1 capital	33,874	32,129	35,092
Subordinated debt	11,738	7,744	7,744
Reserves excluding actuarial reserve	-	-	-301
Non-controlling interests	8	9	-
Deductions	-	-	-885
Transitional provisions	-481	-414	-
Qualifying capital	45,139	39,469	41,650
Risk-weighted assets	211,870	209,536	210,829
Common equity tier 1 ratio	13.6%	12.8%	13.5%
Tier 1 ratio	16.0%	15.3%	16.6%
Capital ratio	21.3%	18.8%	19.8%
Equity capital ratio	14.4%	15.7%	16.1%

Effect of implementation of CRD IV on the qualifying capital

The common equity tier 1 (CET 1) ratio as of 1 January 2014 declined 0.7 percentage point to 12.8%. The full recognition of the actuarial pensions reserve in the CET 1 capital was the main reason for the decline. In addition, CRR provides new CET 1 deductible items such as deferred tax assets and the internal ratings based (IRB) shortfall. These adjustments will be phased in gradually over the 2014 – 2018 period. A special element in the deductible items is the treatment of intangible non-current assets which temporarily move from CET 1 deduction to additional tier 1 deduction. This leads to an initial and temporary increase in the CET 1 ratio. The tier 1 ratio is not affected.

Despite the CRR impact as of 1 January 2014, the CET 1 ratio rose by 0.1 of a percentage point in 2014 to 13.6% (13.5%) due to an increase in the CET 1 capital. The rise in CET 1 capital in 2014 was mainly due to the addition of profits.

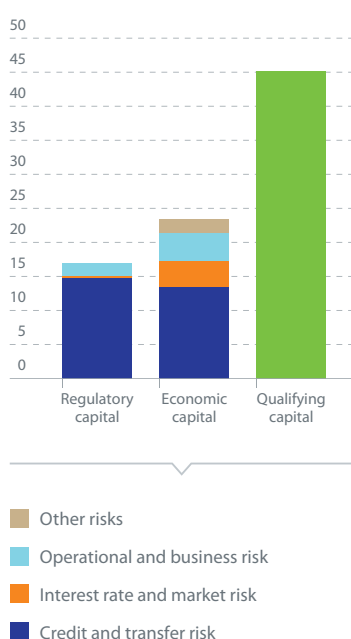
The tier 1 instruments issued by Rabobank prior to 2014 do not meet the new requirements in the CRR. Under the regulation, these instruments will gradually count to a lesser extent as capital. Due to the issue of tier 2 capital, the capital ratio rose by 1.5 percentage points to 21.3% (19.8%).

Bail-in buffer

New regulation means that in the future it will be easier to shift losses onto the creditors of a bank if the bank in question gets into difficulties. This process is known as a bail-in of creditors. Rabobank wishes to mitigate this risk as far as possible by holding a large buffer of equity and subordinated debt that will be called upon in the first instance. Only after this will non-subordinated creditors whose claims are not covered by collateral have to contribute. This so-called bail-in buffer consists of retained earnings, other reserves, Rabobank Certificates, hybrid and subordinated debt instruments and other debt instruments (the so-called Senior Contingent Notes). The bail-in buffer increased in 2014 from EUR 48.0 billion to EUR 51.3 billion. This corresponds to approximately 24% (23%) of the risk-weighted assets. The increase in this buffer is mainly due to the issuance of subordinated tier 2 paper in 2014.

Bail-in buffer		
<i>in billions of euros</i>	<i>31-Dec-14</i>	<i>31-Dec-13</i>
Retained earnings and other reserves	24.9	24.6
Rabobank Certificates	5.9	5.8
Hybrid capital instruments	7.6	8.6
Subordinated debt	11.7	7.8
Senior Contingent Notes	1.2	1.2
Bail-in buffer	51.3	48.0
Risk-weighted assets	211.9	210.8
Bail-in buffer/risk-weighted assets	24.2%	22.8%

Capital requirements
at year-end 2014, in billions of euros

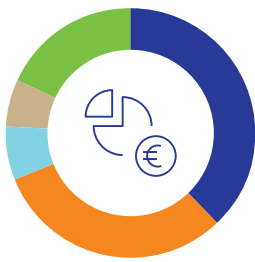


Regulatory capital, the external capital requirement

At year-end 2014, the [regulatory capital or external capital requirement](#) of Rabobank Group amounted to EUR 16.9 (16.9) billion. 87% of the total regulatory capital concerns credit and [transfer risk](#), 11% relates to [operational risk](#) and 2% to market risk. Due to the CRR (CRD IV) taking effect, the regulatory capital declined by EUR 0.2 billion. The decline was due to a reduction in the capital for credit risk, that was partially offset by an increase in the capital for market risk. The regulatory capital also rose by EUR 0.4 billion due to a higher capital requirement for operational risk. The calculation for operational risk has been brought in line with Rabobank's risk profile by means of an adjustment and optimisation of the model. The capital for credit risk fell by EUR 0.5 billion, mainly due to the sale of Bank BGZ.

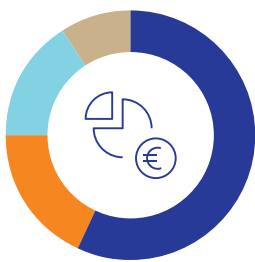
Rabobank Group calculates the regulatory capital for credit risk for virtually its entire loan portfolio on the basis of the Advanced Internal Rating Approach approved by the prudential supervisor. The Standardised Approach is applied, in consultation with the supervisor, to portfolios with relatively limited exposure and to a few smaller foreign portfolios that are not suited to the Advanced Internal Rating Approach. Operational risk is measured using the internal model approved by the supervisor that is based on the Advanced Measurement Approach. Regarding market risk, Rabobank has obtained permission from the supervisor to calculate the general and specific position risk using its own internal [Value at Risk \(VaR\)](#) models, based on the rules of the Capital Adequacy Directive II (CAD II).

Economic capital by group entity at year-end 2014



Domestic retail banking	38%
Wholesale banking and international retail banking	31%
Leasing	7%
Real estate	6%
Other	18%

Economic capital by risk category at year-end 2014



Credit and transfer risk	57%
Operational and business risk	18%
Interest rate and market risk	16%
Other risks	9%

Economic capital, the internal capital requirement

In addition to regulatory capital, Rabobank Group uses an internal capital requirement based on an [economic capital](#) framework. The main difference between this and the regulatory capital is that our calculation of the economic capital takes account of all the material risks for which we have to hold capital. We also assume a higher confidence level (99.99%) than is used for the regulatory capital (99.90%). A broad spectrum of risks is measured consistently to gain an understanding of these risks and to enable a rational weighing of risk against return. A series of models has been developed to assess the risks incurred by Rabobank Group. These concern credit, transfer, operational, interest-rate and market risk. Market risk breaks down into trading book, private equity, currency, real estate and residual value risk.

The economic capital increased to EUR 23.4 (23.2) billion, compared to year-end 2013.

The increase was mainly due to an increase in the capital requirement for operational risk. The capital requirement for the participation in Achmea also rose as a result of a redevelopment of the risk model. This increase was offset by a decline in credit risk due to the reduction of non-core portfolios and a lower [interest rate risk](#) position. The capital requirement for market risk remained virtually unchanged. The holding of additional capital for counterparty risk – Credit Value Adjustment (CVA) – as a result of the CRR (CRD IV) taking effect was offset by the reduction of non-core portfolios.

Qualifying capital

The available qualifying capital of EUR 45.1 (41.7) billion that the bank retains to compensate for potential losses was well above the level of the total external and internal capital requirements. This sizeable buffer underlines the financial solidity of Rabobank Group.

Financial results of Rabobank Group

Results			
<i>in millions of euros</i>	2014	2013	Change
Interest	9,118	9,095	
Commission	1,879	2,001	-6%
Other results	1,860	1,934	-4%
Total income	12,857	13,030	-1%
Staff costs	5,086	5,322	-4%
Other administrative expenses	2,532	3,910	-35%
Depreciation	437	528	-17%
Operating expenses	8,055	9,760	-17%
Gross result	4,802	3,270	47%
Bad debt costs	2,633	2,643	
Bank tax expense and resolution levy	488	197	
Operating profit before taxation	1,681	430	
Taxation	-161	88	
Net profit from continued operations	1,842	342	
Net profit from discontinued operations	-	1,665	
Net profit	1,842	2,007	-8%
Bad debt costs (in basis points)	60	59	2%
Ratios			
Efficiency ratio	62.7%	74.9%	
Return on equity	5.2%	5.2%	
RAROC	7.8%	8.4%	
Balance sheet (in billions of euros)			
	31-Dec-14	31-Dec-13	
Total assets	681.1	669.1	2%
Private sector loan portfolio	430.4	434.7	-1%
Amounts due to customers	326.5	326.2	
Capital requirements (in billions of euros)			
Regulatory capital	16.9	16.9	
Economic capital	23.4	23.2	1%
Qualifying capital	45.1	41.7	8%
Capital ratios			
Total capital ratio	21.3%	19.8%	
Tier 1 ratio	16.0%	16.6%	
Common equity tier 1 ratio	13.6%	13.5%	
Common equity tier 1 ratio local Rabobank Group	16.2%	-	
Number of employees (in FTEs)	48,254	56,870	-15%

Notes to the financial results of Rabobank Group

Net profit of EUR 1,842 million

The net profit of Rabobank Group declined 8% in 2014 to EUR 1,842 (2,007) million. The result in 2014 was negatively affected by EUR 321 million as a result of the resolution levy, a non-recurring levy by the government on the Dutch banking sector in connection with the nationalisation of SNS Reaal. There were also positive effects on the result in 2013, notably including the sale of Robeco. Without these non-recurring items, there was a strong improvement in the result. The net profit from continued operations – in other words, taking the 2013 result without the book profit and regular result of Robeco – was up by EUR 1,500 million.

After deduction of the payments on Rabobank Certificates, Member Certificates, hybrid capital instruments and payments to other non-controlling interests, the amount remaining is EUR 620 (929) million. This amount has been added to the equity of Rabobank Group. Tax amounted to a negative item of EUR 161 million, whereby the effective tax rate amounted to -9.6% (20.5%). The low tax rate in 2014 was mainly due to deferred tax assets as a result of the past losses incurred at ACC Loan Management.

Income down 1%

Rabobank Group's total income fell by EUR 174 million to EUR 12,857 (13,030) million in 2014. Interest profit rose by EUR 23 million to EUR 9,118 (9,095) million. Interest profit in the domestic retail banking business rose due to a modest restoration of the margin on savings. This increase was partly offset by the decline in interest profit at the wholesale banking and international retail banking business, which was partly due to the sale of Bank BGZ. Commission income fell by EUR 122 million in 2014 to EUR 1,879 (2,001) million, mainly due to lower commission profit on insurance and investment products at the domestic retail banking business. In 2013, the other results were pressured by impairments on land holdings and negative revaluations of real estate. The result on hedge accounting improved in 2014 due to the development in the yield curve. On the other hand, the result on structured notes was down due to a narrowing of the credit spread. Moreover, pension income arising from the transition to a new pension scheme was recognised under other results in 2013. On balance, the other results fell by EUR 74 million to EUR 1,860 (1,934) million.

Operating expenses down 17%

Total operating expenses fell by EUR 1,705 million in 2014 to EUR 8,055 (9,760) million. The number of employees at Rabobank Group declined by 15% or 8,616 FTE in 2014 to 48,254 (56,870) FTE, with 5,276 FTE of the decline being due to the sale of Bank BGZ. The workforce at the local Rabobanks also declined further due to the implementation of Vision 2016. Mainly due to this development, staff costs fell by EUR 236 million to EUR 5,086 (5,322) million. Other administrative expenses declined by EUR 1,378 million to EUR 2,532 (3,910) million. In 2013, the settlement amount of EUR 774 million following the Libor investigations was recognised under other administrative expenses. Reorganisation expenses were also lower in 2014, and part of the provision previously formed for DSB Bank was released. Reorganisation expenses were lower at both the local Rabobanks and at Rabo Real Estate Group. Depreciation and amortisation was down EUR 91 million to EUR 437 (528) million, due in part to the sale of Bank BGZ.

Bad debt costs at 60 basis points

Rabobank Group's bad debt costs fell by EUR 10 million to EUR 2,633 (2,643) million in 2014. In relation to the average loan portfolio, bad debt costs amounted to 60 (59) basis points. This is significantly higher than the long-term average of 32 basis points. In addition, the AQR led to an expense of EUR 448 million. This expense was mainly expressed in the figures for the domestic retail banking business (the local Rabobanks) and in the figures for Rabo Real Estate Group (FGH Bank). At the local Rabobanks, sectors such as manufacturing and wholesale benefited from the increase in exports. Other sectors such as commercial real estate and greenhouse horticulture continued to experience difficulties in 2014. The total bad debt costs at the domestic retail banking business rose slightly on balance. At Wholesale, Rural & Retail, bad debt costs at Rural & Retail declined, mainly due to lower bad debt costs at ACC Loan Management. Bad debt costs also declined at DLL. Bad debt costs on commercial real estate at Rabo Real Estate Group remained at a high level in 2014 and were higher than in 2013.

RAROC down 0.6 percentage points

Risk Adjusted Return on Capital (RAROC) is used to weigh return and risk in a consistent manner. RAROC is also used for pricing at transaction level and in the loan approval process. RAROC is calculated by relating the net profit to the average economic capital. As a result of the decline in net profit offset by a decline in the average economic capital in comparison to 2013, the RAROC after tax was down 0.6 of a percentage point at 7.8% (8.4%).

RAROC is calculated by relating the net profit to the average economic capital during the year.

RAROC				
<i>Amounts in billions of euros</i>	<i>RAROC</i>		<i>Economic capital</i>	
	<i>2014</i>	<i>2013</i>	<i>2014</i>	<i>2013</i>
Domestic retail banking	8.2%	8.6%	8.8	9.1
Wholesale banking and international retail banking	10.2%	0.6%	7.3	7.0
Leasing	31.2%	30.6%	1.5	1.4
Real estate	-15.5%	-42.9%	1.5	1.9
Total	7.8%	8.4%	23.4	23.2

The outlook for Rabobank Group

We wish to be a rock-solid bank, now and in the future. Our focus in 2015 will therefore expressly concentrate on return and the volume of the risk-weighted assets in order to retain or bring our capital ratios to the desired levels. We will continue to serve our core customers, a wide customer group in the Netherlands and international food and agri customers, however we will reduce our lending to non-core customers. We will continue as ever to strive to strengthen our market-leading position in the Netherlands and our leading role in the international food and agri sector. We wish to further increase customer satisfaction and we will strive to further restore our reputation.

We expect to see modest net growth in amounts due to customers, and this should contribute to the desired improvement in the loan-to-deposit ratio. The contribution of Bank BGZ to the result is significantly lower due to our remaining holding of slightly less than 10% and we also expect the tax burden to return to a more normal level in 2015. On the other hand, we also anticipate a further reduction in costs at the local Rabobanks as a result of Vision 2016. We expect to see a further recovery in the result of our real estate business and lower bad debt costs in the Netherlands. While the resolution levy in relation to SNS will disappear, there will be permanent annual contributions to the European resolution fund and the deposit guarantee system in its place.

Rock-solid bank: performance

Domestic retail banking

Economy recovers, service provision becomes more virtual

The Dutch economy showed a fragile recovery in 2014. This was mainly due to an increase in exports. The temporary increase to the gift tax exemption and the relatively low interest rates paid on savings led to increased mortgage repayments. Business investment remained at a low level.

These factors led to the domestic loan portfolio falling by EUR 12.6 billion to EUR 290.5 billion and amounts due to customers falling by EUR 6.6 billion to EUR 209.1 billion. Despite the cautious recovery of the Dutch economy in 2014, bad debt costs at the domestic retail banking business rose by EUR 38 million to EUR 1,422 million, representing 48 basis points of average lending.

Operating expenses for the domestic retail banking division fell, mainly due to the sharp reduction in the number of employees resulting from the implementation of Vision 2016. The net result of the domestic retail banking division amounted to EUR 751 million, a decline of EUR 30 million compared to 2013. The net result was negatively affected by the non-recurring resolution levy of EUR 274 million.

Our market share was under pressure in mortgages, savings and the market for services to trade, industry and services. The market share in the food and agri sector remained stable. 2014 once again featured extensive attention to the further virtualisation of our services. Customers are increasingly arranging their banking affairs themselves, they need less contact with our staff and visit our branches less frequently. Virtualisation therefore is associated with a decline in the number of jobs and branches.

Strategy for domestic retail banking

Our core mission is to be a lifelong, personal financial partner. We strive to win customer loyalty and thus create ambassadors for our services. We build long-lasting and profitable customer relationships. It is our ambition to be the bank of choice in the Netherlands for all the common financial products and services. This is shown by market leadership.

Rabobank is the market leader in savings, as well as in the markets for the funding of SMEs and food and agri. The bank intends to maintain these leading positions and strengthen its position selectively in areas where its ambitions have not yet been realised. Although our market share declined in 2014, with the local Rabobanks and Obvion we still have a strong position in the mortgage market.

Participation, advice and virtualisation

The future local Rabobank is based on three pillars: participation, advice and virtualisation. The local Rabobanks participate in initiatives that contribute to local social and economic development. Many of the employees at the local Rabobanks work as advisors and maintain regular contact with customers through physical and virtual networks.

Customer needs have changed in recent years; they arrange most of their banking business through online and mobile channels. Rabobank is thus fully committed to the further virtualisation of its services. This allows us to serve our customers better, faster and at lower cost at the time of their choosing. If a customer needs an advisor, one is always nearby. In addition, we strive to keep our costs in line with the market. We put our customers first and want to offer our services at fair rates, both today and in future. This change process at the local Rabobanks and Rabobank Nederland was put in motion in 2013, under the name of Vision 2016.

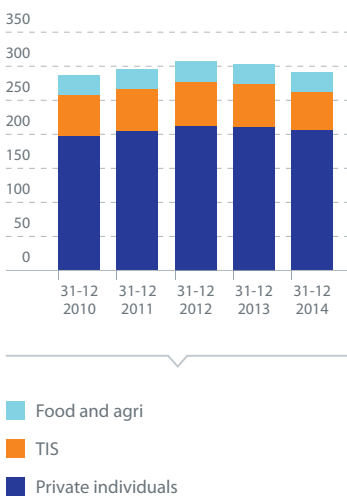
Fewer local Rabobanks

To be able to offer products and services at competitive rates and also to be able to continue to help customers with more complex requirements, a certain scale is needed. A number of local Rabobanks do not have this necessary scale. The number of local Rabobanks declined from 129 to 113 in 2014.

Each local Rabobank consists of one or more branch offices. The number of branches declined in 2014. Many of the smaller branches are visited by only a few customers each day. The possibilities for using virtual channels and for instance placement of cashier functions in other retail outlets will mean that we can continue to provide customers with access to banking services.

The virtualisation of services, the decline in the number of local Rabobanks and the closure of some branches affects the workforce. The internal workforce at domestic retail banking fell by 3,006 FTE to 23,993 FTE. Many employees are involved and the changes are having a serious impact. Our efforts are thus directed at treating those affected with care.

Loan portfolio by sector
in billions of euros



Loan portfolio at domestic retail banking

The Dutch economy grew in 2014, on the back of a cautious increase in exports and investment. Exports grew due to economic growth in the eurozone. Residential property sales rose, which contributed to an increase in investment. Consumers remained cautious, due to the continuing high level of unemployment. Many households chose to restore their balance sheets by repaying debt. These developments put a brake on growth in consumption.

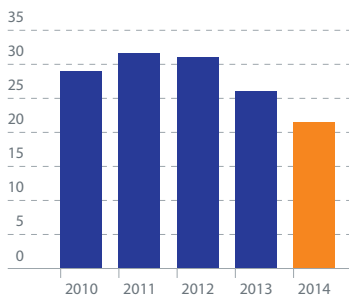
The effects of these domestic economic conditions were visible in the development of the loan portfolio. The private sector loan portfolio at domestic retail banking declined by EUR 12.6 billion in 2014, to EUR 290.5 (303.1) billion. Loans to private individuals consist more or less entirely of residential mortgages. Since customers repaid more of their mortgages, this loan portfolio fell by EUR 6.0 billion to EUR 205.0 (211.0) billion. Loans to trade, industry and services (TIS) fell 10% to EUR 56.6 (63.0) billion and loans to the food and agri sector also declined by 2% to EUR 28.4 (29.1) billion.

Residential mortgages

The housing market

The condition of the Dutch housing market clearly improved in 2014. After a lengthy decline in the annual number of residential property sales, the number of transactions increased sharply (by 39.4% compared to 2013) during the reporting period and the average house price also rose slightly (by 0.9% compared to 2013). This improvement, which started in mid-2013, is mainly driven by increased confidence in the housing market, low mortgage interest rates and the affordability of owner-occupied homes.

Share of mortgage market in %



Market share

The share of Rabobank Group in the Dutch mortgage market amounted to 21.5% (26.0%) of new mortgage production in 2014. The fall in market share was mainly due to the greater involvement of insurers in the mortgage market. The market shares of the local Rabobanks and Obvion fell to 16.3% (19.2%) and 5.2% (6.6%) respectively. At year-end 2013, Friesland Bank was still contributing 0.2% to Rabobank Group's total market share. All the customers of Friesland Bank were transferred to the local Rabobanks in 2014.

Mortgage portfolio

Although the housing market is recovering, the number of transactions and mortgage sales in 2014 have not yet returned to pre-crisis levels. Furthermore, many mortgage customers have again made early repayments on their loans in addition to their regular repayments. They have been prompted to do this by the possibility of negative equity in their home, the low interest payable on savings and the encouragement of mortgage repayment due to a temporary exemption of the gift tax. On balance, Rabobank Group's mortgage portfolio contracted to EUR 205.0 (209.1) billion in 2014.

National Mortgage Guarantee (Nationale Hypotheek Garantie, or NHG) financing accounts for 21% of the mortgage portfolio. The size of the NHG portfolio increased by EUR 0.4 (2.7) billion in 2014. The revised tax treatment of owner-occupied homes introduced on 1 January 2013 has led to an increase in the number of annuity-based and straight-line loans in the mortgage portfolio. The changes to the tax regime have made mortgages with capital accumulation and interest-only mortgages less attractive, and the proportion of these types of mortgage has declined. Customers with 100% interest-only finance accounted for 24.6% (25.3%) of the mortgage portfolio at the end of 2014.

The weighted average indexed loan-to-value (LTV) of the mortgage portfolio improved slightly to 78% in 2014 (81%). The improvement was due to repayments and additional repayments, an increase in pledged savings and a small increase in the average price of existing owner-occupied homes. The LTV exceeds 100% for approximately 18% of the mortgage portfolio, excluding NHG.

Concern for affordability

Rabobank wishes to avoid a situation in which customers have difficulty in making payments as much as possible. This is in the interests of both the customer and the bank, and of course begins with suitable advice and an appropriate mortgage. Regular checks are made during the term to assess whether the mortgage is still appropriate to the customer's personal situation. During the advisory process, the affordability of the mortgage is considered. An assessment is made as to whether the customer can continue to pay the costs of the loan in changed circumstances, including unemployment or occupational disability. The potential financial consequences of these risks are discussed with the customer, after which it may be decided that the customer should take out insurance to cover these risks. Nevertheless, it sometimes

happens that a customer can no longer meet his payment obligations. In most cases, the customer and the bank find a solution together and the customer can continue to live in his home. In a situation of arrears or the threat of arrears, Rabobank prefers to contact customers at an early stage in order to discuss the situation and look for solutions. There may be possibilities to allow the customer additional flexibility in the form of a repayment arrangement or the use of a budget coach. In 2014, recovery was no longer a possibility for 0.40% of the mortgage customers and there were no prospects of continuing the mortgage in a stable manner. In these cases the homes had to be sold. The preferred option here is to do this in cooperation with the customer by means of a private sale. Public auctions are only used in exceptional circumstances.

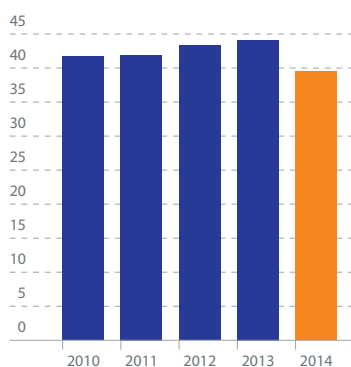
Bad debt costs and write-downs

The size of the mortgage portfolio with payments more than 90 days in arrears reached its peak in early 2014, and has declined since that time. This is firstly due to declining numbers of customers with payments in arrears and secondly a greater number of longer term payment arrears being resolved. These developments were due to a rise in employment and the recovery in the housing market. Loans subject to impairment thus declined to EUR 685 (893) million. The bad debt costs in the mortgage portfolio amounted to EUR 112 million in 2014, however these remained very low at 5 basis points. An amount of EUR 128 million was written off in the mortgage portfolio in 2014.

Residential mortgages		
<i>in millions of euros</i>	2014	2013
Mortgage portfolio	205,008	209,142
Weighted average LTV	78%	81%
Size of payment arrears of between 30 and 90 days compared to total mortgage portfolio	0.35%	0.43%
Size of payment arrears of more than 90 days compared to total mortgage portfolio	0.73%	0.80%
Share of customers with interest-only mortgages compared to total mortgage portfolio	24.6%	25.3%

Residential mortgages		
<i>in millions of euros</i>	2014	2013
Impaired loans	685	893
Allowance	178	198
Cover rate	26%	22%
Bad debt costs	112	127
Bad debt costs (in basis points)	5.4	6.1
Write-downs	128	103

Market share in TIS
in %



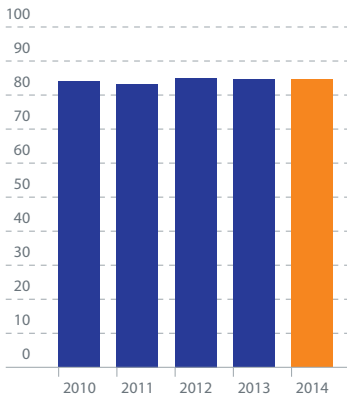
Trade, industry and services

Market share declines, lending is reduced

Rabobank Group's market share of lending to the sectors of trade, industry and services (TIS) amounted to 39% in 2014 (44%). Lending by domestic retail banking to TIS declined by 10% in 2014 to EUR 56.6 (63.0) billion. This loan portfolio includes the commercial real estate portfolio of domestic retail banking. Further details of the developments in this sector and portfolio are given in the section Rock-solid bank: risk management.

Despite the improvement in the economy, some SMEs still had a difficult year. While disposable household income rose slightly in 2014, consumption growth was slowed by debt repayment and capital accumulation. Unemployment also remained at a relatively high level.

Market share in food and agri in %



Food and agri

Lending by domestic retail banking to the food and agri sector in 2014 came to EUR 28.4 (29.1) billion. Lending to the food and agri sector accounts for 10% (10%) of the total loan portfolio of domestic retail banking. Rabobank has had a stable market share in the Dutch food and agri sector of around 85% for many years and is indisputably the most important financier in this sector. Rabobank has acquired this position as a result of its agricultural roots and the knowledge of the sector it has accumulated over the years.

Payments

Fraud in payments traffic declines

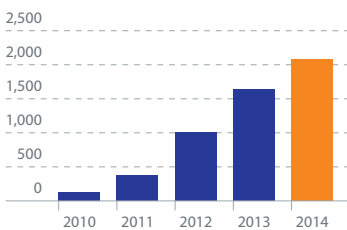
The damage caused by payments fraud in 2014 was down on the previous year. Criminals mainly attempt to steal from customers through internet banking and copied bank cards (known as 'skimming'). Fortunately, this last activity is becoming less common. The damage caused by skimming was drastically lower in 2014 and had already started to decline in 2013. For example when banks replaced the magnetic strip in bank cards with the EMV chip. Copying the card by skimming is now no longer possible.

The main source of fraud in internet banking is still phishing. This is a process whereby the perpetrator lures the customer to a false website in order to obtain his personal data. This activity also declined in 2014 as a result of increased efforts in relation to communications, monitoring and detection.

Innovation, the future of Rabobank

The world in which we live is changing at a rapid pace. Customers choose transparency and simplicity in both the retail and the business markets. Information on their financial situation is becoming increasingly easy and quick to obtain and customers want to manage their own affairs online. Thanks to technology, customers are also less constrained by time and place. In this virtual world, customers can compare and evaluate product offerings more and more easily.

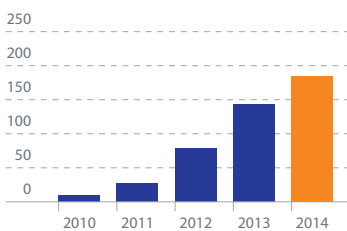
Number of active users of mobile banking - private individuals x 1,000



There is no market that can escape the effects of digitalisation. One important effect of this is that products and services are becoming ever more accessible and cheaper. Barriers to access are disappearing as a result of technological developments and the availability of services is increasing. Both in the Netherlands and abroad, we are seeing market parties offer services that cover more than banking services. These new players are concentrating mainly on the power of simplicity, low costs and undemanding customer processes.

Rabobank has always been a pioneer in renewing its service provision and is one of the most innovative and progressive financial services providers. Rabobank was one of the first banks in Europe to introduce internet banking and mobile banking. Rabobank has also made an important contribution to the success of Rabobank iDeal.

Number of active users of mobile banking - businesses x 1,000



Virtualisation of payment services

Customers want to be able to manage their banking business anywhere and at any time. They are also demanding more forms of virtual service and customer contact. Rabobank has responded to this demand in the form of the Rabo Banking App. The number of customers actively using mobile banking with Rabobank increased by approximately 500,000 in 2014 to approximately 2,300,000. This involves both business and retail customers. The Rabo Banking App was further improved during 2014 and its functions have been significantly expanded.

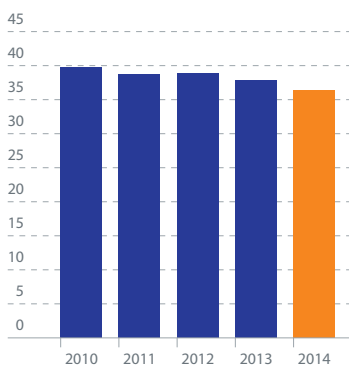
Customers can now block or apply for bank or credit cards, change their limits, request a new PIN code and take out travel or cancellation insurance. The new functions appear to have been welcomed by users: 24% of customers blocking and re-applying for a bank card now do so using the app.

SEPA migration

1 August 2014, marked the transition to a single market for payments in Europe, the Single Euro Payments Area (SEPA). All the old Dutch account numbers have now been replaced by an IBAN (International Bank Account Number). While the new account number has unfortunately become longer, the system ensures that transfers to and from other countries are processed much more easily.

Many of our business customers have had to make significant changes to their financial systems, software and business processes in order to ensure a correct transition to SEPA. Rabobank has provided assistance and support to them in this transition where necessary. Rabobank's guidance has led to virtually all our business customers being able to migrate on schedule. Alternatives were found in a limited number of cases.

Market share for savings in %



Savings

The private savings market in the Netherlands grew 1% in size in 2014 to EUR 329.8 (325.3) billion. Rabobank Group's market share amounted to 36.3% (37.8%), with 35.4% (36.7%) held at the local Rabobanks and 0.9% (1.0%) at the savings bank and Rabobank subsidiary Roparco. At the end of 2013, Friesland Bank still made up 0.1% of the market share. Amounts due to customers at the domestic retail banking division declined 3% to EUR 209.1 (215.7) billion, consisting mainly of private savings. Partly due to higher repayments on residential mortgages, private savings fell by EUR 5.3 billion to EUR 119.9 (125.2) billion.

We introduced a new savings account called Rabo PeriodSavings in 2014, for which customers have to give prior notice of withdrawals through either internet or mobile banking. In exchange for this, the customer receives a higher rate of interest. Customers can decide themselves whether they must give 30 or 90 days' notice of the amount they wish to withdraw. Many customers who do not need their savings to be immediately available have chosen this way to save.

Asset management

Rabo Schretlen Asset Management

Rabobank and Schretlen & Co are to combine the services provided to high net worth customers. Schretlen's services will all be provided via Rabobank and the product offerings will be combined as from 1 July 2015. This will make a wider offering of products and services available to high net worth customers. Former Schretlen customers can then also use the virtual facilities provided by Rabobank. The centrally organised Rabo Schretlen Asset Management department supports the local Rabobanks in servicing high net worth customers.

Bundling of powers for private banking for entrepreneurs

Entrepreneurs who have both business and personal accounts are an important customer group for Rabobank. The service provided to this group can however be improved. Their main requirement is one contact point that looks after both their business and their personal interests. Many local Rabobanks accordingly work with special private banking advisors for entrepreneurs. The aim is for these advisors to work with their colleagues in Business Banking to discuss portfolios, identify requirements, set targets and make plans for customers.

Insurance

As a wide-ranging services provider, Rabobank offers its private and business customers a complete range of advisory services and product solutions, including insurance. In the field of insurance products, Achmea, via its brand Interpolis, is Rabobank's most important strategic partner and supplier. Interpolis offers a wide range of non-life, healthcare and life insurance policies for both private customers and businesses. Rabobank Group has a 29% shareholding in Achmea.

Rabobank offers three propositions to its customers for the insurance of non-life risks: the Interpolis Alles in één Polis to private customers, Interpolis ZekerVanJeZaak and Rabo RisiGo combined with the Interpolis Bedrijven Compact Polis to business customers. With these propositions, Rabobank offers its customers the possibility of arranging and managing their own policies via the online channel, with the option of requesting advice from the advisors at the local Rabobanks if they so wish. In the field of group pensions for employees, Rabobank recommends the RaboBedrijvenPensioen (the pension product of the Stichting Rabobank-PGGM-PPI) to its customers through regional pension specialists.

Rabobank and Interpolis do not believe that insurance is the only way in which to address risks. Customers can reduce or prevent potential loss or damage by obtaining insight into potential risks and taking practical preventive measures. For those risks that remain and which the customer is not able or willing to bear, Rabobank and Interpolis offer practical and relevant insurance solutions. Interpolis is the first insurer to provide an online prevention store.

Since Rabobank has selected Interpolis as its preferred supplier for the retail market, the local Rabobanks are phasing out policies with other insurers in this market segment. This contributed to a decline in the total insurance commission at the local Rabobanks to EUR 277 (288) million.

<i>Type of insurance</i>	<i>Number of policies 31-12-2014</i>	<i>Number of policies 31-12-2013</i>
Alles in één Polis	1,289,000	1,324,000
ZekerVanJeZaak and Bedrijven Compact Polissen	207,000	210,000
ZorgActief	215,000	223,000

Financial results of domestic retail banking

Results			
<i>in millions of euros</i>	2014	2013	<i>Change</i>
Interest	5,783	5,605	3%
Commission	1,318	1,319	
Other results	349	616	-43%
Total income	7,450	7,540	-1%
Staff costs	2,302	2,463	-7%
Other administrative expenses	2,233	2,408	-7%
Depreciation	127	144	-12%
Operating expenses	4,662	5,015	-7%
Gross result	2,788	2,525	10%
Bad debt costs	1,422	1,384	3%
Bank tax expense and resolution levy	354	90	
Operating profit before taxation	1,012	1,051	-4%
Taxation	261	270	-3%
Net profit	751	781	-4%
Bad debt costs (in basis points)	48	45	7%
Ratios			
Efficiency ratio	62.6%	66.5%	
RAROC	8.2%	8.6%	
Balance sheet (in billions of euros)			
	31-Dec-14	31-Dec-13	
Total assets	354.3	376.3	-6%
Private sector loan portfolio	290.5	303.1	-4%
Amounts due to customers	209.1	215.7	-3%
Capital requirements (in billions of euros)			
Regulatory capital	6.5	6.6	-2%
Economic capital	8.8	9.1	-3%
Number of employees (in FTEs)	23,993	26,999	-11%

Notes to financial results of domestic retail banking

Income down 1%

Total income from the domestic retail banking business was down 1% in 2014 at EUR 7,450 (7,540) million. The slight recovery in margins on private savings contributed to a 3% increase in interest profit to EUR 5,783 (5,605) million. Commission profit on insurance and investment products was lower than in 2013, but was compensated for by higher commission profit on payment services. Commissions also remained stable on balance, at EUR 1,318 (1,319) million. The transition to the new pension scheme also positively affected the other results in 2013. Unlike in 2013, Rabobank Nederland once again distributed dividend to the local Rabobanks in 2014. Due to these effects, there was a net decline in the other results of EUR 267 million to EUR 349 (616) million.

Operating expenses down 7%

Total operating expenses at the domestic retail banking business were down 7% in 2014, falling to EUR 4,662 (5,015) million. The number of staff at the local Rabobanks declined due to the implementation of Vision 2016. The transfer of customers from Friesland Bank to Rabobank was completed on 1 August 2014. There have been no employees at Friesland Bank since 1 October 2014. As a result of these developments, staff costs fell by EUR 161 million to EUR 2,302 (2,463) million. Other administrative expenses were affected by reorganisation costs, costs of

innovation and group costs. Reorganisation costs were much lower in 2014 than in 2013, although costs of innovation due to virtualisation of the service provision in 2014 remained at a similar high level to 2013. With effect from 2014, the costs incurred by Rabobank Nederland associated with group activities are recharged to the local Rabobanks, in addition to the normal amounts recharged. On balance, other administrative expenses fell by EUR 175 million to EUR 2,233 (2,408) million. As a result of lower depreciation on software, depreciation was down 12% to EUR 127 (144) million.

Bad debt costs at 48 basis points

Bad debt costs at domestic retail banking rose, despite the fragile economic recovery in 2014, and bad debt costs rose by EUR 38 million to EUR 1,422 (1,384) million. Bad debt costs thus amounted to 48 (45) basis points of average lending, against a long-term average of 19 basis points. The increase is the result of the charge recognised in connection with the Asset Quality Review. Bad debt costs in the agri sector mainly concerned greenhouse horticulture. There was no improvement in the situation for business owners in this segment in 2014. Bad debt costs also remained high in the commercial real estate sector in 2014. Other sectors such as manufacturing and wholesale were able to benefit from the pick-up in exports.

Regulatory capital down 2%

In calculating the regulatory capital, or the external capital requirement, risks associated with loans to private individuals and businesses are estimated using internal rating and risk models. The regulatory capital for domestic retail banking fell during 2014 to EUR 6.5 (6.6) billion. The fall in credit risk was to some extent offset by a rise in operational risk. The lower credit risk is in line with the developments in the loan portfolios. The economic capital, or the internal capital requirement, amounted to EUR 8.8 (9.1) billion. The economic capital was lower as a result of a lower interest rate risk position, however the decline was offset by an increase in operational risk.

Outlook for domestic retail banking

The economic recovery that began in 2014 will continue in 2015. Unemployment is expected to fall, and disposable household income will rise for the second consecutive year. The recovery in the housing market will also contribute to economic growth. Exports will continue to be the main driver of the Dutch economy, but increased business investment and private consumption will also contribute to the expected economic recovery. Domestic sectors like construction, retailing and hospitality will also begin to feel the effects of the recovery. We expect our private customers to continue to reduce their mortgage debt at a faster rate in 2015, which will lead to a slight contraction in the size of the domestic retail banking loan portfolio. Modest growth in the savings market in combination with additional repayments will mean that amounts due to customers will remain more or less stable. Based on the economic outlook, we expect to see a decline in bad debt costs. The Vision 2016 programme is reducing operating expenses, and this will lead to a further recovery in the result of the domestic retail banking division in 2015.

Rock-solid bank: performance

Wholesale banking and international retail banking

Focus on market leadership in the Netherlands and food and agri internationally

The net result of the wholesale banking and international retail banking division amounted to EUR 758 million in 2014, an increase of EUR 712 million compared to 2013. Lower operating expenses and lower bad debt costs at both the international rural and retail banking and the wholesale banking business led to an increase in net profit.

Bad debt costs declined by EUR 148 million and amounted to EUR 420 million or 44 basis points of the average loan portfolio. The long-term average is 57 basis points. Operating expenses were higher in 2013 due to the settlement of EUR 774 million agreed by Rabobank after the Libor investigations. A significant contraction in the illiquid assets portfolio positively affected income in 2014. Mainly due to currency effects, the loan portfolio increased by EUR 7.4 billion to EUR 95.2 billion.

The share of food and agri as part of the total loan portfolio amounted to 58%, an increase of 2 percentage points compared to year-end 2013.

Amounts due to customers rose 7% to EUR 115.8 billion and collective savings at the RaboDirect savings banks increased 5% to EUR 30.4 billion.

Much attention was devoted to the integration of Wholesale, Rural & Retail and Rabobank Nederland in 2014. In addition, the sale of Bank BGZ to the BNP Paribas Group was completed in September.

Strategy for Wholesale, Rural & Retail

Wholesale, Rural & Retail (formerly Rabobank International) and Rabobank Nederland have been managed as one unit since mid-2014. The strategy for Wholesale, Rural & Retail has not changed: the main objectives are still to strengthen our market leading position in the Netherlands and to continue to play a leading role in the international food and agri sector for our customers. In the context of the provision of services to our Dutch and international customers, Wholesale offers a number of specialist products and services that ensure an optimal service to our customers.

Rural and retail banking also focuses mainly on food and agri. The aim of the rural banks is to have a portfolio consisting of at least 95% food and agri. In the case of the retail banks, this target is set at 40-50% for Rabobank NA, while a strategic reorientation has been introduced at Rabobank Indonesia whereby the food and agri focus will be increased to 80% of the portfolio over time.

Banking for food

We presented our vision entitled Banking for Food in 2014. The global population is expected to reach more than 9 billion by 2050. Providing everyone with enough food will be a huge challenge. Rabobank is taking up this challenge by working on the problems surrounding food security. Banking for Food is Rabobank's vision for global food security and the bank's role in this. Demand for food will rise significantly as a result of a growing and increasingly prosperous global population. Businesses in agriculture and the food chains will thus have to produce more, with fewer raw materials. As an international leading food and agri bank, Rabobank wishes to support customers and the environment in which they operate in meeting this challenge by providing access to funding, knowledge and networks. Our priorities and choices with respect to how we can fulfil this role will be clearly explained in the course of 2015.

The Banking for Food ambition concerns improvements to agriculture and food production and processing in the Netherlands and abroad. Almost one-third of the EUR 92 billion invested by Rabobank in agriculture and the food chain is provided to food and agri businesses in the Netherlands. Rabobank has a strong position in the Dutch food and agri sector, which in turn has an important position in the global food and agri sector.

Market leadership in the Netherlands

In the Netherlands, the wholesale banking division focuses on wholesale customers in all market sectors and provides a wide range of services with the objective of serving the Dutch business market effectively, and, wherever possible, being nearby. Rabobank distinguishes itself from its competitors by its in-depth knowledge of sectors, its network and its innovative product solutions. We succeeded in maintaining our leading position in the Dutch corporate market in 2014. Service to the Dutch market is provided in close cooperation with the local Rabobanks. The implementation of specialist products in the areas of cash management, trade services and export finance has further expanded the services provided to our Dutch business customers abroad.

Operating as one bank

Much attention was devoted to the integration of Wholesale, Rural & Retail and Rabobank Nederland in 2014. The aim of this combination is that Rabobank will operate as one bank both inside and outside the Netherlands and that customers should experience us as one bank. We are making progress on intensifying the cooperation between the international and the local Rabobanks. This integration has created a new business structure in which wholesale banking is divided into customer groups.

Leading role in the global food and agri sector

Wholesale

Internationally, Rabobank is a prominent financial services provider for food and agri businesses. We encourage a strategic dialogue with our clear vision of the future of the sector. Our extensive network provides us with a great deal of specialist knowledge of the food chains. Rabobank offers its Dutch customers and international food and agri customers high quality professional financial products and services in areas including Global Financial Markets, Acquisition Finance, Global Client Solutions (including Asset Securitisation), Project Finance and Trade & Commodity Finance. A certain degree of scale is needed to ensure an optimal cost and quality standard for the products concerned.

Global Financial Markets (including Debt Capital Markets) offers customers products that are aimed at risk management and capital market transactions relating to the worldwide financial markets. Global Financial Markets decided to discontinue its Equity Derivatives activities in 2013, and the FX Prime Brokerage activities were also terminated in 2014. These specific activities are not adequately suited to the Group strategy and moreover their economic contribution is limited in relation to the risk profile.

Acquisition Finance offers financial services to customers having to deal with a merger or acquisition. Global Client Solutions provides tailor-made financial solutions for businesses and financial institutions for which expert knowledge is required in areas such as lending, legislation, financial reporting standards and/or tax law. Project Finance focuses on financial solutions for customers with a strong focus on sustainable energy, on infrastructure projects and on businesses in the international food and agri sector. Global Trade and Commodity Finance serves customers involved in international raw materials trade, specific funding and trade finance solutions.

Rabobank's strong focus on food and agri can be seen in the customer base of the Wholesale Clients International department, where food and agri accounts for 98% (96%) of the total portfolio in 2014.

Rabo Private Equity

Rabo Private Equity is the investment arm of Rabobank that acquires equity interests in businesses via specialised labels on the basis of specialist sector knowledge.

One of the former labels, Rabo Capital, was spun off as of 29 August 2014 and continues to trade under the name of Nordian Capital Partners. Rabobank has a non-controlling interest in this entity and thus continues to be involved. By looking for joint ventures with other parties, Nordian is better positioned to realise its growth ambitions and Rabobank's risk with respect to private equity is reduced.

Rabo Private Equity continues to be active in the Dutch market with its units Rabo Participaties and Phoenix Recovery Capital. Rabo Private Equity also invests in various private equity funds, both in the Netherlands and in food and agri funds outside the Netherlands. In each case, this involves funds that are appropriate to Rabobank's strategy of being a leading global player in the funding of the food and agri sector or that support its market leading position in the Netherlands.

New branches

Outside the Netherlands, the most important food and agri countries in which Rabobank has a presence are the United States, Australia, New Zealand and Brazil, in addition to a large number of countries in Asia and Europe. We expanded our presence in Turkey and Kenya in 2014. We have incorporated a Turkish subsidiary, Rabobank Anonim Sirketi, which officially opened for business on 3 November 2014. This branch will serve wholesale customers operating in the food and agri sector. With our expertise, we can play a significant part in the further development of the food and agri sector in Turkey.

We also established an office in Kenya in the first half of 2014. Rabobank is thus reflecting the development that more and more food and agri customers are operating in Africa. From Kenya, we will serve the East African region, which is seen as a growth market for food and agri.

Asia

Our customer base in Asia continued to grow in 2014, driven by economic growth and the increase in activity by Asian companies involved in the food and agri sector. With its combination of food and agri knowhow and an extensive global network, Rabobank Asia is uniquely positioned to help them achieve their international ambitions. We expect growth in Asia to continue, on the basis that the emphasis of economic activity will increasingly shift to this region in the years to come.

United States

The wholesale banking business in the United States continues to focus on supporting businesses in the food and agri sector. On the back of the pick-up in economic activity in the United States, Rabobank strengthened its position as a leading player in the food and agri sector in this part of the world. The increasing intensity of regulatory requirements in the United States was a major focus of attention in 2014.

Rural & Retail banking

Within Rural & Retail banking, the Rural banking arm focuses on the funding of agricultural businesses abroad. Partly due to currency effects, lending to rural customers increased by 13% in 2014 to EUR 35.2 (31.1) billion. A large proportion of these loans are provided to customers in Australia and New Zealand, where Rabobank has had a strong position for many years and where lending showed clear growth in 2014. The United States is also an important market where we operate actively under the name of Rabo AgriFinance, which focuses fully on the agricultural sector.

Retail banking consists of the following elements:

International retail banking

The international retail banking activities concern three countries: Ireland (ACC Loan Management), the United States (RNA) and Indonesia. With the sale of Bank BGZ, the presence in Poland has been reduced to an interest of slightly less than 10%.

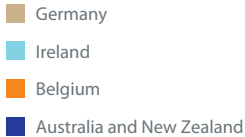
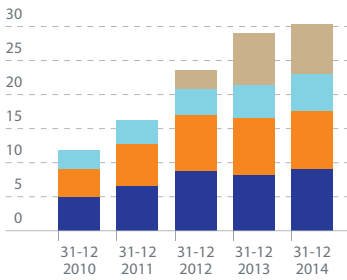
ACC Loan Management

ACCBank in Ireland underwent a reorganisation in 2013 and 2014 in order to fully focus on the management of the existing loan portfolio. The number of offices in Ireland has been reduced further, the number of employees has been sharply reduced and commercial activities (payment services and savings accounts) have also mostly been terminated. In line with this focus and reorganisation, the retail banking licence has been returned, and the name has been changed to ACC Loan Management. At year-end 2014, the loan portfolio of ACC Loan Management stood at EUR 1.9 (2.4) billion.

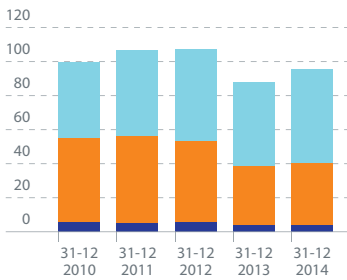
Sale of Bank BGZ to BNP Paribas

The sale of the majority of the shares in Bank BGZ to the BNP Paribas Group was completed on 23 September 2014. The parties had reached agreement regarding the sale of the shareholding in the Polish bank for a sum of approximately EUR 1 billion in December 2013. A merger between Rabobank Polska and Bank BGZ was effected in the first half of 2014. The sale of Bank BGZ includes the activities of Rabobank Polska.

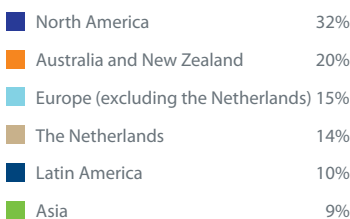
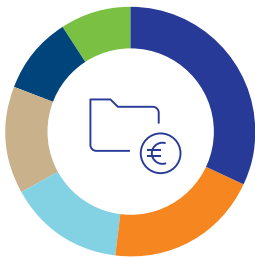
Distribution of private savings of RaboDirect in billions of euros



Loan portfolio by sector in billions of euros



Loan portfolio by region at year-end 2014



Rabobank Indonesia

In 2014, it was decided that the strategic focus of Rabobank Indonesia should be more directed at the food and agri sector. This strategic reorientation will involve a significant reorganisation, with a decline in the branch network from 89 to around 35 branches. The head office will also be reorganised. The workforce will be more or less halved as a result of this in 2015.

Amounts due to customers

At the wholesale banking and international retail banking division, amounts due to customers rose by EUR 7.3 billion in 2014 to EUR 115.8 (108.5) billion. This includes the private savings in our internet savings banks in Belgium, Germany, Ireland, Australia and New Zealand. At these banks private savings rose 5% in 2014 to EUR 30.4 (29.1) billion and the number of customers amounted to 788,000 (751,000).

The private savings entrusted to RaboDirect are used for the funding of the international rural and retail banking business and for other divisions of Rabobank Group. By raising funds in countries outside the Netherlands, Rabobank broadens its funding base. At the end of 2014, private savings at RaboDirect accounted for 21% (19%) of private savings held at Group level.

More food and agri in the Wholesale, Rural & Retail portfolio

Partly due to currency effects, the total private sector loan portfolio of the wholesale banking and international retail banking division rose 8% in 2014 to EUR 95.2 (87.8) billion. The volume of lending provided to the food and agri sector amounted to EUR 54.9 (49.5) billion and thus accounted for 58% (56%) of the total loan portfolio. The total amount of the loans provided by the bank to the trade, industry and services (TIS) sectors amounted to EUR 36.7 (34.7) billion and loans to private individuals amounted to EUR 3.6 (3.6) billion.

Lending to Dutch companies increased by 8% to EUR 13.1 (12.1) billion. The other part of the loan portfolio was provided to businesses outside the Netherlands, with EUR 46.9 (44.6) billion to wholesale customers outside the Netherlands and EUR 35.2 (31.1) billion to rural and retail customers outside the Netherlands.

Financial results of wholesale banking and international retail banking

Results			
<i>in millions of euros</i>	2014	2013	<i>Change</i>
Interest	2,416	2,606	-7%
Commission	552	641	-14%
Other results	799	793	1%
Total income	3,767	4,040	-7%
Staff costs	1,164	1,270	-8%
Other administrative expenses	1,166	1,736	-31%
Depreciation	87	126	-31%
Operating expenses	2,417	3,132	-23%
Gross result	1,350	908	49%
Bad debt costs	420	568	-26%
Bank tax expense	67	75	-11%
Operating profit before taxation	863	265	
Taxation	105	219	-52%
Net profit	758	46	
Bad debt costs (in basis points)	44	57	-23%
Ratios			
Efficiency ratio	64.2%	77.5%	
RAROC	10.2%	0.6%	
Balance sheet (in billions of euros)			
	31-Dec-14	31-Dec-13	
Total assets	495.1	483.0	3%
Private sector loan portfolio	95.2	87.8	8%
Amounts due to customers	115.8	108.5	7%
Capital requirements (in billions of euros)			
Regulatory capital	6.4	6.2	3%
Economic capital	7.3	7.0	4%
Number of employees (in FTEs)	9,546	15,941	-40%

Notes to financial results of wholesale banking and international retail banking

Income down 7%

Total income at the wholesale banking and international retail banking division declined 7% in 2014 to EUR 3,767 (4,040) million. The lower level of activity as a result of the sale of Bank BGZ and the reduction of the high-risk activities contributed to a decline in interest profit of EUR 190 million to EUR 2,416 (2,606) million. The lower level of activity also played an important part in the decline in commissions of EUR 89 million to EUR 552 (641) million. A further reduction and a positive revaluation of illiquid assets contributed positively to the other results in 2014, which rose by EUR 6 million to EUR 799 (793) million.

Operating expenses down 23%

Total operating expenses at the wholesale banking and international retail banking division declined 23% in 2014 to EUR 2,417 (3,132) million. The sale of Bank BGZ led to a decline in the number of employees of 5,289 FTE. The reduction in staff in combination with the lower level of activity contributed to a decline in staff costs of 8% to EUR 1,164 (1,270) million.

Other administrative expenses fell 31% to EUR 1,166 (1,736) million. This item was high in the previous year because it included the settlements agreed by Rabobank in the wake of the Libor investigations. This also led to a relatively high tax burden at that time. Lower amortisation of intangible non-current assets and software led to a 31% decline in depreciation and amortisation to EUR 87 (126) million.

Bad debt costs at 44 basis points

Last year saw economic growth around the world. The economy improved further, mainly in countries outside Europe. This growth contributed to a 26% decline in bad debt costs at wholesale banking and international rural and retail banking to EUR 420 (568) million. The decline in bad debt costs occurred mainly at Rural & Retail banking. Bad debt costs at ACC Loan Management were down by EUR 135 million at EUR 190 (325) million. Total bad debt costs amounted to 44 (57) basis points of the average loan portfolio and were thus below the long-term average of 57 basis points.

Regulatory capital up 3%

The regulatory capital (the external capital requirement) for the wholesale banking and international retail banking division rose 3% in 2014 to EUR 6.4 (6.2) billion, mainly due to increased market risk arising from a changed capital calculation due to the introduction of the CRR (CRD IV). The capital for credit risk remained more or less unchanged. The growth in assets was offset by the sale of Bank BGZ. The economic capital, or the internal capital requirement, amounted to EUR 7.3 (7.0) billion. The increase was mainly due to an increase in the capital for market risk.

Outlook for wholesale banking and international retail banking

Bad debt costs are expected to be slightly lower in 2015 due to the improved economic situation around the world. The transition to a flatter organisation with fewer management layers and a smaller workforce will lead to lower costs. On the other hand, stricter regulatory requirements in the United States and elsewhere will create upward pressure on costs. The other results are expected to decline in 2015 in comparison to 2014. In 2014, the other results were high due to the significant contraction in the illiquid assets portfolio. Income and expense items are also now at a lower level due to the sale of Bank BGZ. Partly as a result of these developments, the net profit of the wholesale banking and international retail banking division will probably be lower in 2015 than in 2014. The loan portfolio will be brought further in line with the food and agri strategy in 2015 and this will be accompanied by a further reduction of the non-core activities. The strategy of the wholesale banking and international retail banking division will be unchanged in 2015 from that in 2014: market leadership in the Netherlands and a focus on the food and agri sector internationally.

Rock-solid bank: performance

Leasing

Strong result with growth in the food and agri portfolio

DLL enters into long-term relationships with its partners. The understanding of its customers it thus accumulates, in combination with its specialisation in a limited number of industries, means that DLL can offer its customers a financial solution that helps them achieve their goals.

DLL entered into new partnerships and expanded its existing partnerships further in 2014. This led to further growth of the activities of DLL: partly due to currency effects, the lease portfolio increased 9% to EUR 33.0 billion.

The share of food and agri in the lease portfolio rose by 2 percentage points to 32%. The leasing segment realised a net profit of EUR 436 million in 2014, thus achieving a comparable level to that realised in 2013.

Affected by a gradual recovery in the global economy, bad debt costs fell to 43 basis points of the average loan portfolio, which is 25 basis points below the long-term average.

DLL

DLL has been the global specialist in leasing at the Rabobank Group for over 45 years. For DLL, financing involves more than simply lending money. It involves collaborating with partners. The organisation works together with the local Rabobanks on a daily basis to find the best solution for each customer requirement. In order to continue to grow, DLL aims to develop further. In September 2014, the company launched its new brand name DLL (formerly De Lage Landen). This general renewal of the brand reflects the growth and success of the organisation and is supported by a new logo and the new slogan 'See what counts'. This is a promise to the customer that expresses what DLL stands for in three simple words. The business is not only about financing assets, it's about adding value through integrated financial solutions that help partners grow their business sustainably. DLL's mission is to enable customers to use the assets they need to contribute meaningfully to the world, both economically and socially.

Strategy

DLL is a globally operating financial services provider. With its operations in the Netherlands, DLL supports the Group strategy of wide-ranging financial services provision. It is the market leader in leasing in the Netherlands. Its support for Rabobank's global food and agri strategy is reflected in the large proportion of food and agri in DLL's loan portfolio. DLL intends to further increase this proportion.

Apart from food and agri, DLL specialised in the following industries: healthcare, clean technology, mobility, transportation, construction, industrial equipment and office technology.

The financial solutions provided by DLL can be divided into vendor finance, commercial finance, (car) leasing, factoring and consumer finance. DLL wants to offer the right financial solutions to its customers in these industries so that they can attain their goals.

Long term relationships and thinking along with customers are central features of DLL's strategy. This is expressed in the alliances with partners and the dialogue initiated with the customer on how DLL can most effectively add value. DLL is continually searching for ways in which new business models, technologies and digital opportunities can be of assistance.

DLL facilitates its partners in embracing the circular economy with its Life Cycle Asset Management programme (LCAM). This programme firstly achieves the transition from ownership to payment for service, and secondly from new to used operating assets. Manufacturers can thus increase the life of their products through intake, remanufacturing, re-use and recycling at the end of their useful lives.

Worldwide

Vendor finance

Vendor finance forms the heart of DLL's international operations and helps manufacturers and distributors to sell their products and services. Vendor finance forges long term alliances in the industries in which DLL specialises. DLL looks for how it can provide funding solutions that support the customer's sales objectives, processes and distribution channels and enrich their value proposition. An understanding of the market and the customer is an essential feature.

DLL's approach to the vendor finance market is tailored to the wishes of the customer, as shown by various prizes awarded to the company in 2014, such as the Asia Pacific Vendor Finance Provider of the Year award. In addition, DLL in the United States was placed first out of the top 25 vendor finance companies by Monitor, a leading leasing industry publication.

DLL Express Finance app

DLL introduced a mobile app 'DLL Express Finance' in the United States in 2014. This app gives customers information on customised solutions for funding with the associated costs. The app thus forms a quick and reliable connection between the customer and the account manager. The app is currently used mainly for smaller applications in the office technology and healthcare sectors. The DLL Express Finance app will be introduced in other countries and industries in the future.

Sustainable solutions – from ownership to use

An increasing number of customers are interested in complete solutions, as they consider the use of an asset more important than owning it. DLL reflects this trend by offering full service solutions to customers. DLL advises on the correct application of the leased item for the entire life cycle and on the possibilities for the funding of maintenance and reserve parts. It therefore often combines a lease contract with a service contract with a maintenance provider. To make things easier for the customer, all financial flows relating to the contract are settled by DLL.

DLL supports its partners in the transition to a circular economic model by providing financial solutions such as Life Cycle Asset Management (LCAM). This leasing solution allows manufacturers to extend the life cycle of their products by means of re-use, remanufacturing and recycling and move their customers from asset owning to paying for a service. The LCAM business model was translated into tangible products and services in the course of 2014.

The focus was on developing financial solutions for used and refurbished assets on top of DLL's existing financial solutions for new assets. In addition, DLL is working on the development of solutions in relation to the scrapping of end-of-life assets and the processing of the associated waste flows.

DLL won the Leasing Life Award for 'Product and Service Innovation of the Year' for the third consecutive year. This time, the prize was in recognition of the LCAM partnership that the company entered into with Schmitz Cargobull AG. The Life Cycle Trailer Management programme developed by DLL and Schmitz Cargobull AG offers complete operational lease solutions for refurbished trailers and recycle solutions for end of life trailers. This new proposition means that the end users in this market are no longer the owner of the trailer, but it provides a response to the increasing demand for more flexible and usage-based solutions. DLL has entered into a joint venture with the Ellen MacArthur Foundation to share knowledge and further develop the LCAM business model. It has also written various white papers and blogs and developed a LinkedIn showcase page on the sustainable added value of leasing. Moreover, for most of the asset categories funded by DLL the raw material value is determined and it is established which parts can be re-used.

Clean Tech and green assets

DLL has successfully achieved its strategy with respect to continuing to fund renewable energy and energy-efficient lighting projects. It has also further diversified its business in the Clean Tech industry. New solar energy projects in the US have been financed and DLL has expanded its lighting relationships with new business volume in five European countries. As part of this diversification, DLL funded projects in both water purification and waste processing. Agreements have also been signed for the financing of energy-efficient projects with two multi-billion euro industry leaders in the field in the energy efficiency arena. Several pilot studies and deals have been realised in the Netherlands, such as five ESCo (Energy Service Company) pilot deals, the funding of a thermal energy storage system and a deal for LED lighting. Lastly, DLL tested asset sharing in the earthworks and demolition industries in the Netherlands.

Europe

In Europe, DLL is not only involved in vendor finance, but through its subsidiary Athlon it is also involved in mobility. Athlon is a leading provider in the Netherlands of car leasing and mobility, with a fleet of approximately 105,000 vehicles. Athlon also operates in nine other European countries. Athlon's total lease portfolio consists of approximately 250,000 contracts. Athlon's primary objective is to provide for the mobility of its customers by offering innovative, sustainable and cost-efficient solutions.

Athlon Privé Lease and Athlon Essential

In 2014, Athlon gave private individuals the opportunity of easily leasing a vehicle on a subscription basis with its product Athlon Privé Lease. With the introduction of Athlon Essential, Athlon focuses on the essence of leasing: flexibility and beneficial.

Mobility solutions and consultancy

The employee benefits landscape has changed resulting in employees having a mobility budget. Athlon reflects this trend by offering the Mobility Card. In the Netherlands, Athlon also encourages its customers to drive more safely and reduce their CO₂ footprint through its e-Driver solution. Athlon Mobility Consultancy, which operates in the Benelux countries and France, supported approximately 75 companies with implementing a sustainable mobility policy.

Athlon was also recognised in the form of awards: its FlexDrive solution took first place in 2014 in the well-known International Fleet Industry Award from Fleet Europe, a leading online forum for international leaders in the business vehicle fleet industry.

The Netherlands

Leasing and factoring

Besides vendor finance, DLL also offers flexible lease products to customers of the local Rabobanks and other Rabobank divisions in the Netherlands as part of the financial services provided by Rabobank. DLL moreover offers leasing activities straight to the market through the online portal Leaseloket. This is mainly used by customers in the SME sector.

Factoring is another product in the Dutch product portfolio, enabling customers to release additional working capital from their debtor portfolios.

Consumer finance

In addition to financial solutions for the business market, DLL also offers consumer finance in the Netherlands. In the consumer finance market, it operates through the brands of Rabobank, Freo and Athlon Auto Financiering. The consumer finance unit of DLL supports Rabobank centrally and locally in the offering of consumer credit.

Freo is the online provider of consumer credit and stands for diligent, beneficial and fair lending. The number of contracts managed by Freo increased further in 2014. The total consumer credit portfolio (Rabobank consumer credit and Freo) stands at EUR 1.4 (1.4) billion.

Social impact

Employee volunteering and impact investment

In addition to donations in excess of EUR 500,000, nearly 25% of DLL's employees around the world invested their time and expertise in social good causes in order to contribute to improving the educational and living conditions of many people. The activities are related to DLL's industry focus and are embedded in its HR educational programme. In the Netherlands, DLL organised the Samen040 initiative in collaboration with the Municipality of Eindhoven and six other leading businesses looking for strategic cooperation in relation to social issues.

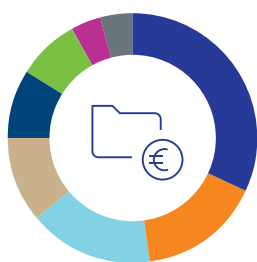
Microleasing

In cooperation with the Rabobank Foundation, DLL provided technical support to five micro finance institutions for the development of microleasing in Rwanda. Materials and learnings are now included in good training materials, which makes up-scaling possible. An expansion strategy is being developed to achieve a greater effect in emerging markets which includes a potential vendor and investment model. With microleasing, DLL enables many small and micro entrepreneurs to improve their business performance.

More food and agri in the lease portfolio

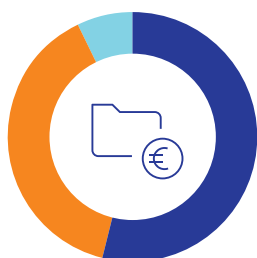
Partly due to currency effects, the lease portfolio of DLL increased 9% to EUR 33.0 (30.2) billion. The private sector loan portfolio of DLL – the lease portfolio excluding operational leasing – amounted to EUR 27.5 (24.7) billion. In line with the strategy, DLL focused on further expansion of the proportion of food and agri in the lease portfolio. This focus can be seen in the growth of this portfolio to EUR 10.6 (9.1) billion and food and agri now accounts for 32% (30%) of the total lease portfolio. The Dutch lease portfolio amounts to EUR 6.1 (6.1) billion, or 19% (20%) of the total lease portfolio.

Lease portfolio by industry at year-end 2014



Food and agri	32%
Office technology	16%
Construction, transportation and industrial	16%
Financial institutions	11%
Carlease	9%
Healthcare and clean technology	8%
Consumer finance	4%
Vendor finance operations	4%

Lease portfolio by region at year-end 2014



Europe	54%
America	39%
Asia/Pacific	7%

Financial results of leasing

Results			
<i>in millions of euros</i>	2014	2013	<i>Change</i>
Interest	1,000	973	3%
Commission	30	52	-42%
Other results	548	545	1%
Total income	1,578	1,570	1%
Staff costs	535	517	3%
Other administrative expenses	251	198	27%
Depreciation	48	49	-2%
Operating expenses	834	764	9%
Gross result	744	806	-8%
Bad debt costs	131	170	-23%
Bank tax expense	9	9	
Operating profit before taxation	604	627	-4%
Taxation	168	205	-18%
Net profit	436	422	3%
Bad debt costs (in basis points)	43	59	-27%
Ratios			
Efficiency ratio	52.9%	48.7%	
RAROC	31.2%	30.6%	
Balance sheet (in billions of euros)			
	<i>31-Dec-14</i>	<i>31-Dec-13</i>	
Lease portfolio	33.0	30.2	9%
Capital requirements (in billions of euros)			
Regulatory capital	1.4	1.3	8%
Economic capital	1.5	1.4	7%
Number of employees (in FTEs)	5,217	5,117	2%

Notes to financial results of leasing

Income up 1%

Total income from the leasing segment rose 1% to EUR 1,578 (1,570) million in 2014. In line with the growth of the average lease portfolio, interest profit was up 3% to EUR 1,000 (973) million. Commission profit declined by EUR 22 million to EUR 30 (52) million. Commissions were high in 2013 as a result of the strong growth of the portfolio in Brazil. Commission profit returned to a more normal level in 2014. Other results consist mainly of the result from sales of leased products and income from operational lease contracts. Both these items showed a limited increase compared to 2013. Other results were up 1% on balance at EUR 548 (545) million.

Operating expenses up 9%

Total operating expenses in the leasing segment rose 9% to EUR 834 (764) million in 2014. The workforce increased by 100 FTE to 5,217 (5,117) FTE. Staff costs rose in line with this development by 3% to EUR 535 (517) million. With effect from 2014, the costs incurred by Rabobank Nederland for group activities are recognised at the segments as other administrative expenses. Partly due to this change, other administrative expenses in the leasing segment were up 27% at EUR 251 (198) million. The costs of depreciation and amortisation were more or less stable at EUR 48 (49) million.

Bad debt costs at 43 basis points

Bad debt costs at the leasing segment fell by EUR 39 million to EUR 131 (170) million. In relation to the average loan portfolio, bad debt costs amounted to 43 (59) basis points and were thus well below the long-term average of 68 basis points. The diversification of the lease portfolio across countries and sectors in combination with the economic recovery and strict risk management contributed to the lower level of bad debt costs.

Regulatory capital rises slightly

The regulatory capital or external capital requirement for DLL rose in 2014 to EUR 1.4 (1.3) billion. The credit risk was more or less unchanged. The decline in credit risk as a result of the introduction of the CRR (CRD IV) was offset by an increase in assets. Operational risk also increased. The economic capital or internal capital requirement rose to EUR 1.5 (1.4) billion.

Outlook for leasing

The strategy of DLL will not change in 2015: the emphasis will be on entering into long-term partnerships in the industries where DLL can offer added value to its customers. As a result of the trend from ownership to usage that DLL is seeing in various markets, DLL expects demand for funding for actual usage to increase. DLL is studying the application of new technologies in the solutions it offers and is thus keeping pace with social developments. For instance, DLL is researching the possibilities for offering support for care at home in the field of healthcare. In the food and agri sector, the focus is on how technology can help in feeding more people with existing resources. DLL continues to invest in new and sustainable business models that will benefit customers in the longer term. DLL will further strengthen its involvement with its partners, because the organisation believes in mutual success through adding value in the form of integrated financial solutions that assist customers to achieve their goals, prepare them for the market of the future and allow their businesses to grow in a sustainable manner. In practical terms, DLL expects to see modest growth in the lease portfolio in 2015 and a result in line with that achieved in 2014.

Rock-solid bank: performance

Real estate

The market for real estate finance pressures the result

Rabo Real Estate Group has been through a difficult period, however after many difficult years the situation in the Dutch housing market has improved. The number of residential transactions at Bouwfonds Property Development, known as BPD since 1 January 2015, accordingly rose by 37% to 7,064. Contrary to 2013, there were no heavy downward valuations on land positions and land operations. The late cyclical nature of the real estate funding market was however clearly shown in the bad debt costs at FGH Bank, which at 364 basis points of the average loan portfolio were again at a high level. The long-term average is 53 basis points. The level of bad debt costs affected the result in 2014. The loss incurred at the real estate segment declined from EUR 814 million in 2013 to EUR 263 million in 2014. The loan portfolio at real estate financier FGH Bank declined to EUR 16.7 billion. Assets under management at Bouwfonds Investment Management rose further by EUR 0.5 billion to EUR 6.4 billion. The phase-out of activities at MAB Development is now at an advanced stage. The foreign branches have now been closed and the Dutch office will close in March 2015. Rabo Real Estate Group sold the PalaisQuartier in 2014, which was the largest real estate project in its portfolio. The sale price of approximately EUR 800 million led to a substantial book profit being realised and this transaction was one of the largest in Europe in 2014.

Strategy

FGH Bank is to be integrated into Rabobank. The phase-out of MAB Development and KP Investments is also planned. Clear decisions will be taken with regard to the strategic reorientation of Bouwfonds Investment Management and Fondsenbeheer Nederland in the first half of 2015. BPD continues to be an important activity for Rabo Real Estate Group and Rabobank. Rabo Real Estate Group will continue to adapt to developments in the coming period, within the context of Rabobank's shareholding.

Recovery in the Dutch housing market

After many difficult years, the situation in the Dutch housing market improved in 2014. The Dutch economy recovered, and this led to increased disposable household income. Families decided to use most of their income to reduce their mortgage debt. The decline in house prices between 2008 and 2013 has led to a situation in which some households are in a position of negative equity, that is, they have a mortgage debt that is higher than the value of their home. The decision to make additional payments in 2014 was also to some extent driven

by the possibility to make gifts of up to EUR 100,000 free of tax if the recipient used the money to repay the mortgage on their own home. The historically low level of interest payable on savings was another factor in favour of repayment.

Homes are now more affordable, due to the fall in prices in recent years and the historically low level of mortgage interest rates. This led to increased transaction volume in housing in 2014 and a small increase in the average house price. The recovery in prices is however as yet extremely gradual. The reduction of the limit for a National Mortgage Guarantee (NHG) from EUR 290,000 to EUR 265,000 on 1 July 2014 had a small negative effect on prices. The development of prices was also negatively affected by the stricter acceptance standards for mortgages.

BPD

BPD realises residential and living environments in the Netherlands, France and Germany. The positive developments in the housing market were visible in the sales of new homes. In the Netherlands, BPD achieved 85% more residential property transactions than in 2013, with the total number of residential property transactions reaching 3,985 (2,160). It would appear that the low point in the number of residential property transactions in the Netherlands is now behind us.

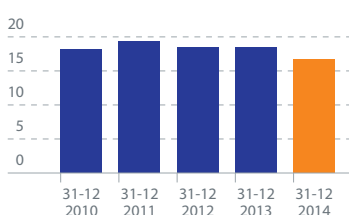
The housing market in Germany also benefited from the economic growth. Additionally, there was a healthy labour market and strong domestic demand in Germany. The number of transactions in Germany rose to 1,126 (930). In France, economic growth has not yet materialised and there were specific uncertainties in the housing market regarding social letting and investment letting. The number of transactions in France declined to 1,939 (2,036). Apart from in the Netherlands, France and Germany, some residential property transactions were effected in other countries, bringing the total number of transactions completed by BPD in 2014 to 7,064 (5,169). BPD realised a positive result in 2014. Impairments on land positions and land operations were limited.

Number of residential property transactions at year-end 2014



The Netherlands	57%
France	27%
Germany	16%

Loan portfolio of FGH Bank in billions of euros



FGH Bank

FGH Bank is engaged in the funding of commercial real estate, and operates in the offices, retail and commercial space markets and the real estate investment market, mainly in the Netherlands. In addition to financing investments commercial real estate, FGH Bank also funds new housing, renovation and transformation projects.

Local Rabobanks use FGH Bank as a centre of knowledge and expertise for real estate finance issues. It supports the banks by analysing the existing real estate finance portfolio and applications for real estate finance and carries out market and location studies. The FGH Rabo Valuation Desk assists the banks with valuations. FGH Bank also plays an important part in the management of real estate investments with local Rabobanks. It also manages real estate finance arranged with the Rabobank Group. The loan portfolio of FGH Bank declined to EUR 16.7 (18.4) billion in 2014, mainly as a result of the settlement of a number of items.

FGH Bank to be integrated into Rabobank.

In early 2015 it was announced that FGH Bank would be integrated into Rabobank as the expertise centre for the funding of commercial real estate. This integration is part of the strategy and cultural change at Rabobank designed to the formation of 'One Rabobank'. The aim of the integration is to be able to organise the provision of services to our customers to be more efficient, effective and straightforward. Rabobank continues to be an important player in the field of commercial real estate.

Focus on flexibility

Each year, FGH Bank published the FGH Vastgoedbericht, a market report listing the major trends and developments in the real estate market. According to the FGH Vastgoedbericht in 2014, the emphasis in the coming years will be on flexibility. The supply of properties is currently out of balance, since there is oversupply of buildings for some activities while for other activities suitable properties are scarce. Part of the stock will have to be used differently or transformed into real estate that is future proof. When developing property or considering existing real estate, FGH Bank considers the available alternatives for the use of a property. Real estate has to be easily adaptable and be able to meet the changing demands of society and different tenants.

The whole text of the FGH Vastgoedbericht 2014 is available on [the website](#) of FGH Bank.

Increase in assets managed by Bouwfonds Investment Management

Bouwfonds Investment Management focuses on investment products in the sectors of real estate, infrastructure and natural resources. Within these categories, Bouwfonds Investment Management focuses specifically on five sectors: commercial real estate, housing, parking garages, communication infrastructure and agriculture and farming.

Bouwfonds Investment Management made various acquisitions in 2014 on behalf of the various funds, including the acquisition of the Mahler parking garage in Amsterdam for EUR 130 million. With its 1,755 parking spaces, Mahler is one of the largest parking garages in the Netherlands and has five underground parking levels. The garage is now being operated under a long term lease. Various other fund initiatives are in preparation. Assets under management at Bouwfonds Investment Management rose by EUR 0.5 billion in 2014 to EUR 6.4 billion.

MAB Development

The projects of MAB Development mainly concern a combination of functions with a strong accent on retail. Rabo Real Estate Group decided to phase out its activities in the project development of commercial real estate in 2013. No new projects will be started. The phasing out of the organisation was accelerated in 2014. The foreign offices have now closed and the office in the Netherlands will close at the end of March 2015. The remaining projects of MAB have been transferred to other divisions of Rabo Real Estate Group.

The largest multifunctional building in the Netherlands, De Rotterdam, was delivered in 2013. The Council on Tall Buildings and Urban Habitat dubbed this building the 'Best Tall Building of Europe' in 2014.

PalaisQuartier, Domus and ODE

The sale of the Domus shopping centre in Paris was completed in March 2014. The remaining lots of the Oosterdokseiland project in Amsterdam were transferred in September 2014 to BPD, which will take over responsibility for the last remaining development of this project.

Rabo Real Estate Group sold its largest real estate project, the PalaisQuartier in Frankfurt am Main, in November 2014. The sale price of approximately EUR 800 million led to a clear book profit. Deutsche Asset & Wealth Management, a division of Deutsche Bank, was the buyer. ECE also has a 10% interest in the project.

Economic vitality and quality of life

Participating in the local community and strengthening economic and social vitality. This is one of the aims of our new ambitions with respect to sustainability. We focus on current social themes. Sustainability, economic vitality and quality of life is a theme in which Rabo Real Estate Group is actively involved. BPD, part of Rabo Real Estate Group, sees that enthusiasm for sustainably designed living space is increasing. The plan for plan Nieuw Kortenoord in Wageningen is a practical example of this move towards sustainability. It is a new housing project involving 1,000 homes that exudes sustainability and community vitality in many aspects. The homes are being sold in close cooperation with Rabobank Vallei en Rijn. The project has been developed in the environs of Wageningen on the site of a former university, with both some of the buildings and the landscaping being maintained as far as possible. Residents are actively guided with respect to energy-saving measures, which has led to a saving of 60% compared to similar homes. With an area of 56 hectares and 1,000 homes, Nieuw Kortenoord is one of the larger 'green' neighbourhoods.

Financial results of real estate

Results			
<i>in millions of euros</i>	2014	2013	Change
Interest	313	335	-7%
Commission	36	29	24%
Other results	261	-556	
Total income	610	-192	
Staff costs	198	193	3%
Other administrative expenses	104	119	-13%
Depreciation	9	27	-67%
Operating expenses	311	339	-8%
Gross result	299	-531	
Bad debt costs	656	513	28%
Bank tax expense	8	8	0%
Operating result before taxation	-365	-1,052	-65%
Taxation	-102	-238	-57%
Net result	-263	-814	-68%
Bad debt costs (in basis points)	364	278	31%
Number of houses sold	7,064	5,169	37%
Balance sheet (in billions of euros)	31-Dec-14	31-Dec-13	
Loan portfolio	16.7	18.4	-9%
Assets under management	6.4	5.9	8%
Capital requirements (in billions of euros)			
Regulatory capital	1.3	1.6	-19%
Economic capital	1.5	1.9	-21%
Number of employees (in FTEs)	1,519	1,554	-2%

Notes to financial results of real estate

Income up by EUR 802 million

The total income of the real estate segment rose by EUR 802 million to EUR 610 (-192) million in 2014. In line with the contraction of the loan portfolio, the interest result fell by 7% to EUR 313 (335) million. Commissions were up on 2013 at EUR 36 (29) million, as a result of certain

non-recurring income items. Contrary to 2013, there were only limited downward valuations of land positions and revaluations of land operations in 2014. Downward valuations of commercial real estate holdings were also down and the sale of the PalaisQuartier was achieved with a book profit in 2014. Residential property sales also rose. Due to these developments, the other results increased by EUR 817 million to EUR 261 (-556) million.

Operating expenses down 8%

Total operating expenses in the real estate segment fell 8% to EUR 311 (339) million in 2014. This was mainly due to a decline in other administrative expenses. A reorganisation provision was formed in 2013 as a result of the phase-out of the activities of MAB Development. The expense associated with this was recognised under other administrative expenses. It was mainly the absence of this item that caused other administrative expenses to fall 13% to EUR 104 (119) million. Staff costs rose 3% to EUR 198 (193) million due to the hiring of temporary personnel and higher pension expenses. Since the intangible non-current assets of Bouwfonds Holding had already largely been amortised in 2013, depreciation and amortisation fell by EUR 18 million to EUR 9 (27) million.

Bad debt costs at 364 basis points

Despite the modest improvement in the Dutch economy, bad debt costs for Rabo Real Estate Group for commercial real estate were still high in 2014. This is partly due to the fact that the market for real estate finance is late-cyclical in nature. This means that it takes longer for an economic recovery to be reflected in the figures. Furthermore, the market is still dealing with long-term developments that have led to an excess of supply. Bad debt costs at the real estate segment amounted to EUR 656 (513) million and thus amounted to 364 (278) basis points of the average loan portfolio, against a long-term average of 53 basis points.

Regulatory capital declines

The regulatory capital or external capital requirement for Rabo Real Estate Group declined to EUR 1.3 (1.6) billion in 2014. The fall in credit risk was to some extent offset by a rise in operational risk. Credit risk declined due to the phasing out of non-core assets combined with higher bad debt costs. The economic capital or internal capital requirement declined to EUR 1.5 (1.9) billion.

Outlook for real estate

Rabo Real Estate Group began to improve in 2014. The condition of the real estate market is expected to improve further and the result will also recover in line with this. The improvement in the housing market is expected to continue in 2015 and the number of sales and the level of prices are expected to rise. Stricter standards for granting mortgages will however be an obstacle to the recovery of prices in the housing market. There are also regional variations and the developments depend on the level of mortgage interest rates. Overall, the recovery in the housing market will be gradual. The market for commercial real estate is late-cyclical, meaning that customers of FGH Bank can expect another difficult year in 2015. This is also expected to be shown in higher bad debt costs at FGH Bank in 2015. Bouwfonds Investment Management is undergoing a strategic reorientation. The company will focus more on its core businesses in 2015: investing in commercial real estate, housing, parking garages, communication infrastructure and agriculture and farming. The Fondsenbeheer Nederland unit will also undergo a strategic reorientation in 2015.

Rock-solid bank: risk management

Rabobank pursues a risk policy aimed at maintaining a moderate risk profile. The risk strategy focuses on continuity and protection of our profits and profit growth, the retention of solid balance sheet ratios and the protection of our identity and reputation. This is reflected, for instance, in our comfortable liquidity position and our strong capital position, as can be seen for example from our total capital ratio and liquidity coverage ratio.

In the reporting year, EUR 22 billion in long-term funding was raised. In combination with the decrease in lending and short-term funding, the dependence on wholesale funding was further reduced. Despite this strong position, Rabobank remains susceptible to the effects of the current economic situation. Despite the slight improvement to conditions in the Netherlands in 2014, bad debt costs of EUR 2.6 billion remained at a high level. This movement was seen primarily at the Dutch and Irish real estate activities, as a result of a thorough review of the overall portfolio in this area.

EDTF 6

Risk strategy

Rabobank's risk strategy supports the management in the realisation of the business strategy by establishing the limits within which Rabobank must operate. An important starting point for the risk strategy is that running risk is an inherent part of the banking business. Without taking risk, no profitable banking activities would be possible, and for this reason not only risk acceptance but actually striving to assume a certain degree of risk is essential. The risk strategy is designed to ensure continuity and focuses on:

- Protecting profits and profit growth: Rabobank's business strategy is based on its cooperative background, and thus maximisation of profit is not an objective.
- Retaining solid balance sheet ratios: solid balance sheet ratios are essential to ensure continuity in the provision of services to customers on sustainable and favourable conditions.
- Protecting Rabobank's identity and reputation: Rabobank strives to ensure that its stakeholders continue to have confidence in the bank.

The mission of the Risk Management department is to ensure the financial stability and continuity of Rabobank by monitoring its risk profile. An extensive system of limits and controls is in place to enable Rabobank's risk profile to be monitored and managed. The Risk Management department ensures that risk management is implemented correctly, that it is in line with all legislation and that it can match the best practices in the market.

Risk culture

Rabobank's cooperative roots are essential elements in how the organisation strives to achieve its main objective: the delivery of customer value. Rabobank's core values, formulated in the 'Rabobank Mission Statement' and the 'Code of Conduct', are embedded in daily practice: respect, integrity, professionalism and sustainability. These values form the principles for the

conduct required of everyone at Rabobank: employees, managers, directors and internal supervisors. The cooperative basis is characterised by a focus on long-term customer relationships and the customer's interests.

Specifically for risk management, Rabobank uses additional principles to assess and mitigate risks. These principles act as a compass in daily practice and provide the standards for desirable behaviour at Rabobank:

- Every employee is a risk manager: clarifies the ownership of risks: responsibilities in positions/ roles, individual contributions to the risk profile of Rabobank, the way in which we manage risks, the translation into performance targets, the encouragement of desirable behaviour and the correction of undesirable behaviour.
- Risks are openly discussed: explains the desired behaviour: active discussions regarding identified risks in various areas, openness regarding dilemmas that arise in our work, approachability with respect to the way in which risks are dealt with, avoidance of tunnel vision in the perception of risk, learning from mistakes and avoidance of repetition by removing the causes and sharing experiences.
- Risk management as success factor: stresses how risks are managed: acting within the established risk appetite.
- Risk appetite focuses on the long-term interests of our customers and Rabobank, the assessment of potential consequences of our choices, careful consideration of risk and return and appropriate measures based on up-to-date risk analyses.

These principles are further defined in the codes for various themes such as credit risk, information security, privacy, remuneration and sustainability.

The risk governance supports the risk culture and desirable behaviour. Risk culture is further supported by:

- A structured organisational change in the 'Culture Collective' movement, in which Rabobank employees and Senior Kader discuss their contribution to the organisational change and their individual behaviour, the focus on customers and strategic objectives, including in particular risk and compliance.
- Surveys among employees focusing on risk and compliance issues and areas of improvement for both the organisation and the employees.
- Training is offered across the organisation on risk-related issues, such as informing customers with respect to the risks they take, integrity, privacy and information security. The subjects and methods are continually under development to keep pace with external and internal developments and are combined with internal informative campaigns.
- Learning from mistakes is a permanent feature with respect to undesired operational risk and credit risk events. Opening these issues up to discussion and sharing these experiences are encouraged in order to avoid repetition in other parts of the organisation.

Individual and departmental targets are in line with the risk appetite and the risk principles as established in the evaluation system and the Group Remuneration Policy.

Risk appetite

Rabobank uses an integrated risk management model and a clearly defined risk management cycle. This concerns the determination of the risk appetite, the preparation of integrated risk analyses and the measurement and monitoring of risk. Risk management is structured by Group entity and for the Group as a whole, and is applied on both a top-down and a bottom-up basis. The risk strategy focuses on continuity and is applied in three pillars, namely the protection of profit, the retention of solid balance sheet ratios and the protection of identity and reputation. There is moreover a process of measuring and reporting the risk-return profile, both at Group level and within the Group entities. Risk is thus integrated in the management information.

Risk management organisation

In line with the new organisational structure of Rabobank Nederland, the risk management organisation has been transformed into a strong second-line function. The first line remains responsible for entering into, identifying and mitigating risks. The Risk Management department has clear tasks in this regard and has responsibility for providing advice and support to all entities with respect to national and international activities. The risk management organisation, effective from 1 July 2014, consists of three groups:

I. Chief Risk Officers (CRO):

The CRO Aangesloten Banken Bedrijf (Local Rabobanks Business) and the CRO Wholesale, Rural & Retail are responsible for the risk management organisation within their markets. They are physically part of a business unit for the performance of their activities, while retaining their independent second-line responsibilities.

II. Risk teams:

The risk management organisation includes three highly specialised functional teams:

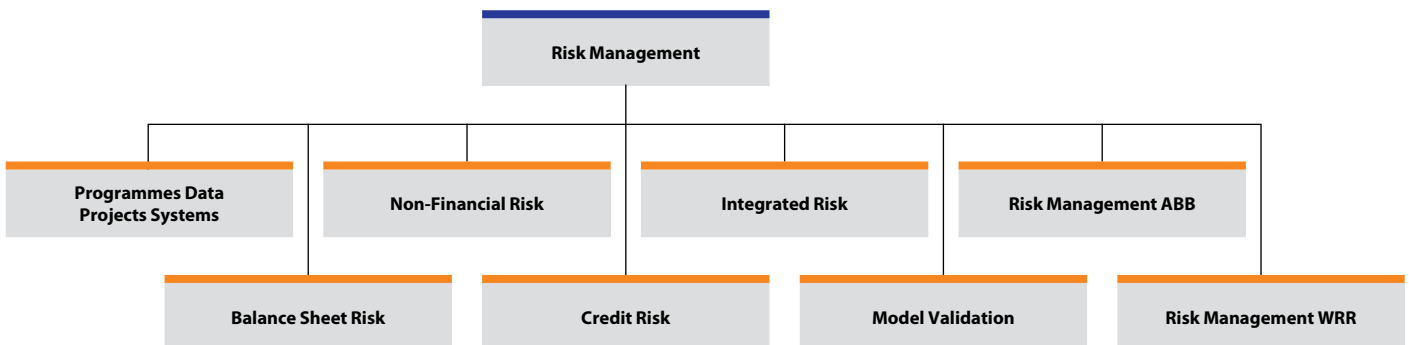
- The Credit Risk team, which manages the credit portfolio at aggregate Group level and sets policy and limits, carries out performance analyses, constructs models and reports to senior management.
- The Non-Financial Risk team, which records, analyses and reports on the operational risk framework, including the responsibility for operational continuity, IT risk and Group insurance.
- The Balance Sheet Risk team, which establishes the policies and the limits framework and measures the risk profile for balance sheet management (Asset & Liability Management), liquidity, funding, market risk and internal settlement interest rates.

These risk teams work together with the Integrated Risk Team, which takes a holistic view of Rabobank's risk profile based on a strong risk organisation and culture, strategic planning and prudential legislation.

III. Support teams:

Specialist support and other activity teams in relation to:

- Projects, data, processes and systems for the management of risk-related systems and data collection for risk projects and process optimisation.
- Management support for strategic planning (such as Human Resources and budget).
- Model validation for the independent validation of risk management models and organisation.



The risk committee structure will change with effect from 1 January 2015. In 2014 the Balance Sheet Risk Management Committee (BRMC) acted as the advisory committee to the Executive Board. From 2015, this committee will be divided into a Risk Management Committee (RMC) and an Asset and Liability Management Committee (ALCO). Both committees include three permanent Executive Board members and a mandate to take decisions on behalf of the Executive Board within agreed frameworks.

Stress testing

Stress testing is an important risk management tool that identifies potential risks and supports the optimisation of capital and liquidity buffers. It enables the exploration of vulnerabilities in business models whilst overcoming the limitations of risk models and historical data.

Stress tests are an essential part of the risk management framework at Rabobank. Stress tests are used to measure the impact of extreme, yet plausible events. Where necessary, measures are taken on the basis of the results of the stress tests that are in line with Rabobank's risk appetite.

Rabobank carries out various stress tests. In addition to Group-wide stress tests, tests are also performed for specific portfolios (for instance, the mortgage portfolio and the real estate portfolio) and risk types (for instance, [liquidity risk](#) and market risk).

The various scenarios take account of macroeconomic factors and non-macroeconomic factors. The macroeconomic factors include growth, unemployment, inflation, interest rates, share prices and real estate prices.

Rabobank successfully passed the external Group-wide ECB stress test carried out during the reporting year, meaning that the bank's capital buffer is sound even in difficult economic test conditions. The results of this stress test confirm the bank's strong capital position. An internal Group-wide stress test will be carried out as part of the Supervisory Review and Evaluation Process (SREP) in 2015.

Significant risks and developments

There is a strong interdependence between events in the environment of the bank and the applicable risks. The risks do not occur in isolation but are interconnected and may even mutually reinforce each other.

Rabobank conducts top-down and bottom-up risk analyses and various stress tests each year, as part of a comprehensive assessment of the various risk categories. The top risks, developments in the top risks and emerging risks are a subject of discussion in the Executive Board and the Supervisory Board.

Rabobank risk analysis

There is no such thing as risk-free banking. Every day, Rabobank takes thoroughly considered decisions on risk in its lending operations for instance, in entering into interest rate contracts and in its other services. To manage material risks, risk and control processes are designed to ensure that the risks incurred remain within the bank's defined risk appetite and that risk and return are appropriately matched. Fundamental residual risks remain, however, which are:

Sustained exceptional interest rate movements

The bank's interest rate risks are managed by defining limits for potential losses of income or value adjustments in equity in the event of interest rate shocks. Banks are currently in an economic environment with historically low interest rate levels. Rabobank has opted to mitigate the impact of a potential sharp rise in interest rates.

The risk is a sustained low level of interest rates. In addition, low interest rate levels generally have an adverse impact on the profitability of interest rate-sensitive operations.

The residual risk consists of a sustained low level of interest rates in combination with a relatively low interest rate risk that would put pressure on Rabobank's profitability. This is mainly due to the impact on the result from Rabobank's interest rate business. In addition, low interest rate levels generally have an adverse impact on the profitability of interest rate-sensitive operations, since there is less potential for achieving a margin.

Sustained exceptional market developments

Rabobank is exposed to market risks that are monitored on a daily basis with strict limits based on the Value at Risk (VaR) model that provides a risk measure for the potential losses, on the basis of historical fluctuations. Despite the fact that extreme shocks and uncertainties concerning historical losses are taken into account, sustained negative development of markets remain a residual risk. This risk is mitigated by adjusting the market risk position.

Unexpected loan losses

Rabobank takes the costs of potential loan losses into account in its lending operations based on internal models, analyses and stress tests for losses in less expected scenarios, the unforeseen losses. The remaining risk is that a highly negative scenario unfolds in which the unforeseen loan losses prove to be higher than estimated. This risk is partly mitigated by an effectively diversified business model and prudent lending criteria.

Lack of access to sources of funding

Since the loan portfolios of the Dutch banks are generally larger than the amount of savings they can attract, they have to turn to the capital markets to fill this funding gap. It is therefore important that Rabobank has good access to the capital markets. Rabobank raises funds via unsecured funding – or the issuance of unsecured bonds – and via Rabobank Certificates, which were publicly listed in 2014. A bank's access to the capital markets depends in part on its credit ratings and reputation.

Access to sources of alternative funding and a deterioration in our competitive position may be caused by an actual or potential downgrade of our credit rating due to a changed outlook for the financial sector or the bank itself, the creditworthiness of the country in which the bank is located, the rating methodology or another change.

Distribution of dividend to certificate holders and other capital providers is essential for the protection of the reputation of and confidence in Rabobank. If it were impossible to provide this distribution, this could lead to rising funding costs or the provision of collateral and could have a material adverse impact on the earnings of Rabobank.

In addition to the above-mentioned specific residual risks in its core banking activities, Rabobank also identified the following risks:

Business conditions and general economic conditions

The profitability of Rabobank could be adversely effected by a worsening of general economic conditions in the Netherlands and/or globally. Banks are still facing persistent turmoil in financial markets. Factors such as interest rates, exchange rates, inflation, deflation, investor sentiment, the availability and cost of credit, the liquidity of the global financial markets and the level and volatility of equity prices can significantly affect the activity level of customers and the profitability of Rabobank Group. Also, a prolonged economic downturn could adversely affect the quality of Rabobank's loan portfolio by increasing the risk that a greater number of its customers will be unable to meet their obligations. This could pressure profit margins and therefore affect the realisation of targets and observance of the established risk appetite.

Effect of government policy and regulation

Rabobank's businesses and earnings could be negatively affected by the fiscal or other policies and other actions of various governmental and regulatory authorities in the Netherlands, the European Union, the United States and elsewhere. Supervision at European level has changed as a result of the introduction of common ECB supervision via the SSM. A new European resolution authority, the Single Resolution Board (SRB), has also been formed that will take further measures to guide the process of liquidation of banks.

Capital requirements

Rabobank is subject to the risk, inherent in all regulated financial businesses, of having insufficient capital resources to meet the minimum regulatory capital requirements. Rabobank is facing the challenge of continually increasing capital requirements that force the bank to manage its risk-weighted assets meticulously and optimise its balance sheet. At the same time, the bank is searching for ways to improve its services to customers and fulfil its social role in supporting economic recovery and growth through the provision of credit.

ICT and cybercrime

Technological developments offer new possibilities for interaction with customers. They can contribute to efficiency improvements, by making services better and more cost-effective. Technology is an important element in Rabobank's vision for achieving more effective customer service and lower costs through automated processes, for example.

This evolution towards a more technology-based front and back office presents opportunities, however it will also change Rabobank's risk profile. Increased dependence on IT increases the risk of system failures and can lead to financial and material reputational damage, but this also forms a growing source of risk with respect to cybercrime.

Combining easy access to systems and programs for customers with the highest possible level of information security and with 24/7 availability continues to be a key challenge. Service continuity is paramount. In addition to Distributed Denial of Services (DDoS) attacks and hacking and phishing, the installation of malware designed to commit fraud and steal data is increasing. This has a wide range of goals: fraud, extortion, system disruptions for the purpose of robbing money and/or privacy-sensitive data, or data corruption.

Credit risk

Credit risk is the risk that the bank will suffer economic losses if 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 has a robust framework of policies and processes in place to measure, manage and mitigate credit risks.

Risk management framework

Credit organisation

Rabobank had three Credit Policy Committees (CPCs) during the reporting year: the Rabobank Group CPC, the Wholesale, Rural & Retail (WRR) CPC and the Member Banks CPC. The Rabobank Group CPC determines credit risk policy at Group level. Within this framework, the Group entities define and establish their own credit risk policies. In this context, the Member Banks CPC is responsible for domestic retail banking, and the WRR CPC for wholesale banking and international retail banking. The Executive Board is represented by three members in the Rabobank Group CPC. This committee is chaired by the CFRO, as are the WRR CPC Wholesale, Rural & Retail and Member Banks CPC. The other members of CPCs are representatives of Rabobank's most senior management levels. During the reporting year, preparations were made for the formation of a Risk Management Committee in which the Rabobank Group CPC will be integrated.

Credit acceptance

Rabobank's prudent policy for accepting new customers is typified by careful assessment of customers 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 aims to have long-term relationships with customers 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's policy for accepting new customers is the 'know your customer' principle, which means that the bank only grants loans to corporate customers if Rabobank believes their management has integrity and expertise. In addition, Rabobank closely monitors developments in the business sectors in which its customers operate and can properly assess the financial performance of its customers. Sustainable business practices imply responsible financing and, accordingly, sustainability guidelines also apply to the lending process.

Risk measurement

Credit monitoring and reporting

With the introduction of the Basel II framework, Rabobank developed the Rabobank Risk Rating (RRR) master scale, comprising 21 performing ratings (R0-R20) and 4 default ratings (D1-D4). The performing ratings are linked to the probability of default of the client within a period of one year (PD), for which purpose the ratings are determined on a cycle-neutral basis in principle. The D1-D4 ratings represent default classifications. D1 represents 90 days' arrears, D2 a high probability that the debtor will not be able to pay, D3 means that the debtor is unable to meet his obligations and foreclosure is required and D4 is the status of bankruptcy. In accordance with this approach, all D-ratings constitute the total non-performing exposure.

In addition to the RRR referred to above, Rabobank uses the Loan Quality Classification System (LQC) for internal reporting. This system applies five different categories: Good, OLEM, Substandard, Doubtful and Loss. The focus is on developments in the classified portfolio, comprising the classifications vulnerable continuity, imminent discontinuity and discontinuity. The exposures in this portfolio are reviewed and addressed (at least) twice a year by the Special Accounts department.

In external reports, Rabobank focuses on the impaired loans, which are defined as exposures with a D-rating for which a provision has been recognised. At year-end 2013, Rabobank developed a policy for monitoring its forbearance portfolio every quarter. Forbearance means 'clemency' and/or 'respite', and the forbearance portfolio consists of the customers of Rabobank for whom such measures have been put in place. The measures under that name comprise concessions to debtors with (imminent) financial problems. A concession concerns one of the following actions:

- A change to the originally agreed conditions for a loan as an adequate solution as a result of financial problems affecting the debtor ('problem loans'). These solutions or changes would not be applied if the debtor was not experiencing financial difficulties.
- A full or partial restructuring of the funding of a problem loan which would not have been offered if the debtor had not been experiencing financial difficulties.

The rationale for the focus on this part of the portfolio derives from the concerns of the European supervisory authorities about the deterioration of the quality of the portfolio; it is feared that forbearance measures might camouflage this deterioration of the portfolio as debtors are able to meet their financial obligations for longer periods owing to the concessions.

Basel II compliance

Rabobank uses the Advanced IRB approach for credit risk. This is the most risk-sensitive of the Basel II credit risk approaches. Rabobank 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 RAROC are determined partly on the basis of these parameters. A significant advantage associated with the use of the economic capital framework is a streamlined, efficient approval process. Using the Basel II parameters and RAROC helps credit analysts and credit committees to take even more thoroughly considered decisions. Every Rabobank 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.

The EAD is the bank's expected exposure in the event and at the time of a counterparty's default. At year-end 2014, the EAD of Rabobank's total Advanced IRB loan portfolio was EUR 582 (574) billion. This EAD includes the expected future usage of unused credit lines.

At year-end 2014, the EAD weighted average PD of Rabobank's total performing Advanced IRB loan portfolio stood at 1.05% (1.12%). The slightly improved 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) and the implementation of new models and policy changes.

The PD 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 has in many cases secured additional collateral. This additional collateral 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 2014, the LGD percentage of Rabobank's total Advanced IRB portfolio was 23.2% (21.8%).

Bad debt costs and allowances for loan losses

Once a loan has been granted, ongoing credit management takes place, as part of which new information (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 this is expected not to be the case, credit management is stepped up, monitoring becomes more frequent, and a closer eye is kept on credit terms. Guidance is provided by a special department within Rabobank: Special Accounts, 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 pay the amounts owed to Rabobank in accordance with the contractual obligations, this will give rise to an impairment (impaired loan). 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 the portion of the portfolio that is actually impaired at the balance sheet date but has 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 2014, this involved an amount of EUR 16,122 (16,171) million. The allowance for loan losses stood at EUR 9,438 (8,710) million, which corresponds to a 59% (54%) coverage of impaired loans.

Over and above these allowances, additional coverage was raised through collateral and other securities. Rabobank 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, also with respect to the part of the loan that is not in arrears and/or even if adequate coverage is available for part of the exposure in the form of collateral. Finally, Rabobank takes allowances within the rules of IFRS. At year-end 2014, impaired loans corresponded to 3.8% (3.7%) of the private sector loan portfolio.

Impaired loans and allowance for loan losses				
<i>in millions of euros</i>				
		31-Dec-14		
	<i>Impaired loans</i>	<i>Impaired loans in % of loan portfolio</i>	<i>Allowances</i>	<i>Allowances in % of impaired loans</i>
Domestic retail banking	8,696	3.0%	4,884	56%
Wholesale banking and international retail banking	3,636	3.9%	2,881	79%
Leasing	643	2.3%	403	63%
Real Estate	3,148	18.8%	1,270	40%
Rabobank Group	16,122	3.8%	9,438	59%

Impaired loans and allowance for loan losses				
<i>in millions of euros</i>				
		31-Dec-13		
	<i>Impaired loans</i>	<i>Impaired loans in % of loan portfolio</i>	<i>Allowances</i>	<i>Allowances in % of impaired loans</i>
Domestic retail banking	8,987	3.0%	4,611	51%
Wholesale banking and international retail banking	3,697	4.1%	2,777	75%
Leasing	721	2.9%	480	67%
Real Estate	2,767	15.1%	842	30%
Rabobank Group	16,171	3.7%	8,710	54%

Bad debt costs were again high in 2014, especially in the Dutch portfolio and specifically in the commercial real estate sector. Expressed in basis points of average private sector lending, bad debt costs stood at 54 in the first half of 2014 and at 65 in the second half of the year. This movement involved primarily the addition connected with the SSM AQR. The ten-year average (period 2004-2013) for bad debt costs is 32 basis points.

Bad debt costs by Group entity		
<i>in millions of euros</i>	2014	2013
Domestic retail banking	1,422	1,384
Wholesale banking and international retail banking	420	568
Leasing	131	170
Real estate	656	513
Other	4	8
Rabobank Group	2,633	2,643

Bad debt costs by Group entity		
<i>in basis points of the average loan portfolio</i>	2014	2013
Domestic retail banking	48	45
Wholesale banking and international retail banking	44	57
Leasing	43	59
Real estate	364	278
Rabobank Group	60	59

Forbearance and non-performing loans

The identification of forbearance measures for the corporate portfolio is based on the current Loan Quality Classification framework, with forbearance measures only applying to the classified portfolio. If forbearance measures are applied to a debtor, the debtor will by definition be dealt with by the Special Accounts department. In addition, all debtors in the retail portfolio to whom forbearance measures are applied are required to be included in the Special Accounts portfolio. Lastly, items in the forbearance category must be reported for up to two years after a recovery. This period of two years is referred to as 'probationary period'.

Overview forborne assets

<i>in millions of euros</i>										<i>31-Dec-2014</i>
	Private sector loan portfolio	Forborne assets (gross carrying amount)	Performing forborne assets	<i>Of which (a): instruments with modifications in the terms and conditions</i>	<i>Of which (b) refinancing</i>	Non-performing forborne assets	<i>Of which (a): instruments with modifications in the terms and conditions</i>	<i>Of which (b): refinancing</i>	<i>Loan loss allowance on non-performing forborne assets</i>	
Domestic retail banking	290,541	8,882	4,354	3,807	547	4,528	4,008	520	1,856	
Wholesale banking and international retail banking	95,192	3,971	1,193	640	554	2,778	2,211	566	1,083	
Leasing	27,465	180	-	-	-	180	119	61	44	
Real Estate	16,711	2,284	154	154	-	2,130	2,115	15	724	
Other	483	-	-	-	-	-	-	-	-	
Rabobank Group	430,392	15,317	5,701	4,601	1,101	9,615	8,453	1,163	3,707	

Non-performing loans meet at least one of the following criteria:

- They are material loans in arrears by more than 90 days;
- It is likely that the debtor will not fully repay his debt (either the principal, the interest or the fees) without the bank having to resort to the execution of collateral (if available), regardless of the number of days or the amount in arrears.

The table below shows the size of non-performing loans per activity.

Non-performing loans	
<i>in millions of euros</i>	
	<i>31-Dec-2014</i>
Domestic retail banking	10,492
Wholesale banking and international retail banking	6,437
Leasing	576
Real estate	3,745
Rabobank Group	21,250

Developments in the real estate portfolio

Rabobank's portfolio of commercial real estate in the Netherlands is managed primarily by FGH Bank and the local Rabobanks. The commercial real estate market deteriorated further in 2014, particularly in the offices and retail segments. Long-term trends like the ageing population, 'the new way of working' and online shopping were important factors. Due to the current market conditions, in which there is a clear distinction between properties with little or no prospect of viability and those with a chance of success, the quality of the commercial real estate loan portfolio has declined. In particular, less marketable properties have declined in value. The review and valuation policy and the special accounts policy are based on a risk-oriented approach. Where reviews reveal that the assumed value may no longer reflect the current market value, the value is reassessed. Valuations are performed by an independent valuer. Rabobank thereby complies with the requirements set by De Nederlandsche Bank (DNB) for valuation, and the validity of valuations.

As a result of the report by the Valuers and Accountants Platform (Platform Taxateurs en Accountants, or 'PTA') on the valuation of real estate, Rabobank brought its valuation process in line with the recommendations made in connection with the banking process in 2013 where this was not already the case.

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

The table below gives information on the commercial real estate loan portfolio in the Netherlands at 31 December 2014. The Property Development segment is moreover presented separately, since this segment is also experiencing longer processing times and a stagnating real estate market. Rabobank's lending in this segment was relatively low, at EUR 1.9 (3.0) billion.

Commercial real estate loan portfolio					
<i>31-Dec-14</i>					
<i>in millions of euros</i>	<i>Loan portfolio</i>	<i>Impaired</i>	<i>Allowance</i>	<i>Bad debt costs</i>	<i>Write-off</i>
- Property investment domestic retail banking	8,586	1,197	673	249	152
- Property investment Rabo Real Estate Group	14,676	3,059	1,104	544	333
Total property investments	23,262	4,256	1,777	792	485
- Property development domestic retail banking	1,062	527	342	23	26
- Property development Rabo Real Estate Group	820	89	37	8	2
Total property development	1,882	616	379	31	27

Commercial real estate loan portfolio					
<i>31-Dec-13</i>					
<i>in millions of euros</i>	<i>Loan portfolio</i>	<i>Impaired</i>	<i>Allowance</i>	<i>Bad debt costs</i>	<i>Write-off</i>
- Property investment domestic retail banking	9,087	949	516	144	35
- Property investment Rabo Real Estate Group	16,163	2,632	788	485	23
Total property investments	25,250	3,581	1,304	629	58
- Property development domestic retail banking	1,942	680	396	168	48
- Property development Rabo Real Estate Group	1,041	135	30	29	11
Total property development	2,983	815	426	197	59

The table above only concerns specific bad debt costs and specific loan loss allowances.

Rabobank's commercial real estate portfolio in the Netherlands declined again in 2014, mainly due to repayments, loan sales and a lower risk appetite. The developments in the market caused a deterioration in the quality of the portfolio, as can be seen from the higher level of impaired loans, and therefore also the costs of loan losses in recent years. Significant mitigating factors for the quality of the loan portfolio are Rabobank's focus on relationship banking and the fact that its financing policy is more customer-driven than property-driven. Since some of the difficulties in the commercial real estate market also have structural characteristics, loan losses in the real estate portfolio are nonetheless expected to remain high in the years to come. Nearly the entire commercial real estate portfolio outside the Netherlands is provided by ACC Loan Management. This is a run-off portfolio. Although property values in prime locations in Ireland stabilised to some extent, in other locations values were still under pressure. Further additions (EUR 111 million) were therefore made to the provisions for this portfolio in 2014. More additions are likewise expected for 2015, albeit at a lower level than in the past few years.

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, natural disasters, political or social unrest, or government policy that fails to create macroeconomic and financial stability.

Transfer risk relates to the possibility of foreign governments placing restrictions on fund transfers from debtors in their own country to creditors in other countries. Rabobank 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 the Risk Management department. At the Rabobank Group level, the country risk outstanding, including the additional capital requirement for transfer risk, is reported every quarter to the BRMC-RG 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.

Rabobank has conducted an extremely restrictive country risk policy with respect to Russia since early 2014. Monitoring has now been intensified. At year-end 2014, there was EUR 0.7 billion outstanding, which relates primarily to trade financing of Russian exports and, to a lesser degree, leasing. Rabobank considers the risk position on Russia to be acceptable.

Market risk

Market risk is the risk that the bank's earnings and/or economic value may be negatively affected by changes in interest rates or market prices. Exposure to a certain degree of market risk is inherent in banking and creates the opportunity to realise profit and value.

In the management and monitoring of market risk, a distinction is made between market risk in the trading environment and market risk in the banking environment. The various market risks are discussed in the sections below.

<i>Section</i>	<i>Description</i>	<i>Key risk indicators</i>	<i>Monitoring</i>
Market risk trading environment	Market risk arising from the bank's trading activities. Rabobank's trading activities are customer driven or for the purpose of the bank's own balance sheet management and take place within the departments Markets and Treasury.	Value at Risk, event risk, basis point value	Daily
Interest rate risk banking environment	Interest rate risk arising from the bank's activities not related to trading. Occurs mainly within the retail banking business as a result of the difference in interest periods between assets and liabilities and implicit options in various customer products.	Equity at Risk, Income at Risk, basis point sensitivity	Weekly/ Monthly
Currency risk banking environment	Currency risk arising from the bank's activities not related to trading. This mainly concerns translation risk resulting from capital invested in foreign operations.	Value at Risk	Monthly

EDTF 22

A large part of the structural interest rate and currency risks arising from the banking activities are transferred through internal derivative transactions to the trading environment. Within the trading environment these risks are for the most part hedged in the market.

It is not possible to make a direct link between the items on the bank's balance sheet and the various figures for market risk. This is because the bank's balance sheet only contains transactions with third parties. The published market risk figures for the trading books are based on both transactions with third parties and transactions with internal parties in the banking environment. The same applies to the disclosed interest rate and currency risk figures for the banking books, which are based on both transactions with third parties and transactions with internal parties in the trading environment.

Market risk in the trading environment

Market risk in the trading environment concerns changes in the value of the trading books as a result of factors including interest rates, credit spreads, foreign currencies and equities. The trading books are located primarily in the departments Markets and Treasury.

Value at Risk by Group entity	
<i>in millions of euros</i>	<i>31-Dec-14</i>
Markets	2.8
Treasury	1.1
Other	0.0
Diversification	-0.7
Total	3.2

Risk management framework

An appropriate system of limits has been developed to manage market risk. The Executive Board determines Rabobank's risk appetite and the related limits on an annual basis. These limits are then translated into limits at book level and monitored on a daily basis by the market risk departments.

Risk measurement

At a consolidated level, market risk is measured using Value at Risk (VaR), basis point sensitivity and event risk.

EDTF 24

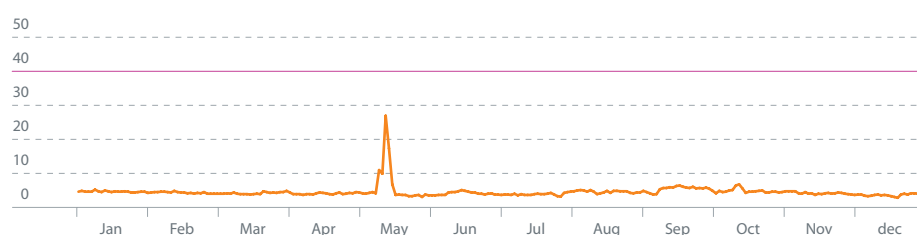
The VaR, which is based on historical market developments for one year, indicates the maximum loss that Rabobank can suffer, subject to a specific confidence level and horizon, under 'normal' market conditions.

The daily management uses a confidence level of 97.5% and a horizon of 1 day. Under this method, Value at Risk is calculated on the basis of historical market trends and the positions taken.

In 2014, the VaR fluctuated between EUR 2.4 million and EUR 22.5 million, the average being EUR 3.8 million. The VaR amounted to EUR 3.2 million as at year-end. This means that under normal circumstances, losses on any single day can be expected not to exceed a maximum of EUR 22.5 million, subject to a confidence level of 97.5%.

The one-off peak of EUR 22.5 million was due to a number of large benchmark transactions and the issue of tier 2 bonds that coincided with a temporary tightness in liquidity in the market and unfavourable movements therein. The market risk position that arose in this situation was fully back to normal levels within a few days. Over the whole of 2014, including this peak period, the VaR remained within the limit of EUR 40 million.

Value at Risk in millions of euros



The basis point sensitivity 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 (i.e. 0.01 percentage point). The basis point sensitivity table below shows the sensitivity to changes in the yield curves for the major currencies. The basis point sensitivity amounted to EUR 0.5 million positive as at year-end. The basis point sensitivity remained well within the set limit of EUR 2.5 million during the reporting year.

Basis point sensitivity	
<i>in millions of euros</i>	<i>31-Dec-14</i>
Euro	0.6
US dollar	-0.3
British pound	0.2
Other	0.0
Total	0.5

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

Interest rate risk in the banking environment

Rabobank considers transforming amounts and maturities of money as a major source of earnings and economic value. To meet the needs of its customers, the bank also offers options and products including options. This exposes the bank to interest rate risk in the banking environment. Interest rate risk in the banking environment is the risk that the profit and/or economic value of banking books, investment books and capital books will be negatively affected by movements in money and capital market interest rates. Interest rate risk at Rabobank is caused mainly by four factors.

- Maturity mismatches between loans and funds entrusted. Rabobank provides mortgages and commercial loans with long fixed-interest terms. These are partly funded by savings placed with the bank by customers, credit balances held by customers in payment and current accounts and by funding obtained from professional parties in the money and capital markets.
- Quotation risk. the majority of homebuyers to whom a mortgage proposal has been made, receive the lower of the rate offered in the proposal and the rate at the time the loan is taken out is applied for.
- Prepayment risk. Customers wishing to repay their loans early are not required to pay an early redemption fee in all cases.
- Withdrawal risk. A large proportion of the customer credit balances in current accounts, payment accounts and savings accounts is callable on demand.

Customer behaviour is an important determining factor with respect to interest rate risk in the banking environment. It is actually the most important differentiating factor between interest rate risk in the banking environment and interest rate risk in the trading environment. The risk that customers incur as a result of an increase in their financial obligations due to movements in interest rates does not affect the extent to which Rabobank is exposed to interest rate risk, however it may lead to a situation in which the bank has to deal with a higher level of credit risk.

Risk management framework

Rabobank accepts a certain degree of interest rate risk in the banking environment because this is a fundamental part of banking, but at the same time the bank strives to avoid material unexpected fluctuations in its earnings and economic value resulting from interest rate movements. The Executive Board, acting under the supervision of the Supervisory Board, accordingly establishes the appetite for interest rate risk and the corresponding interest rate risk

limits each year. Reports on the size of interest rate risk in the banking environment are submitted to the responsible asset & liability management and risk management committees on a monthly basis. The asset & liability management committees are in charge of the strategic management of interest rate risk in the banking environment, while the risk management committees monitor and safeguard the extent of this risk. The various treasury departments at the bank are charged with the operational management of interest rate risk in the banking environment. They carry out this task by means of hedging transactions. The triggers and timing for the initiation of a hedge depends among other things on the view with respect to interest rates and the expected development of the balance sheet. Business units have limited freedom to make their own choices within the limits set.

Interest rate risk in the banking environment is not only measured and managed on the basis of end dates and interest rate reset dates in contracts, but the bank's interest rate risk models also take account of customer behaviour. Account is therefore taken of early redemption of mortgages. Demand deposits such as balances in immediately callable variable interest savings accounts and credit balances in payment accounts and business current accounts are modelled using the replicating portfolio method. This method is used to select portfolios of money and capital market instruments that most closely replicate the behaviour of the balance sheet items.

Risk measurement

Rabobank uses three standard measures for the management of interest rate risk in the banking environment:

- [Equity at Risk \(EatR\)](#).
- [Basis Point Value \(BPV\)](#) or the delta of equity (total and per maturity).
- [Income at Risk \(IatR\)](#).

The EatR, the BPV of equity and the IatR are used to control and manage the interest rate risk in the banking environment arising from changes in the level of interest rates. The delta per maturity or the delta profile is used to control and manage the risk of changes in the shape of the yield curve, which shows the yield per maturity. These measures are used to express the risk appetite of Rabobank.

In addition to the three standard measures of interest rate risk in the banking environment, Rabobank regularly analyses the effect of one or more macroeconomic scenarios on its earnings and economic value. The results of this analysis are important for integrated interest rate risk management purposes and are included in reports to senior management. Furthermore, the amount of capital required to compensate for the effect of unfavourable interest rate developments on the books in the banking environment is calculated on the basis of both historical scenarios and scenarios based on the opinions of experts.

Risk appetite and developments in relation to EatR and BPV of equity

The main measure used by Rabobank to manage interest rate risk from the perspective of economic value is the EatR. The EatR shows the percentage decline in the economic value of equity if money and capital market interest rates rise by 1 percentage point. For 2014, the Executive Board set a lower limit of 0% and an upper limit of 6%.

EatR		
	<i>31-Dec-14</i>	<i>31-Dec-13</i>
EatR	0.4%	2.3%

EatR decreased from 2.3% to 0.4% in 2014. The increase in EatR as a result of lending was very limited. One of the reasons for this was the low level of new mortgages and business lending. At the same time, the volume of tax-privileged blocked savings accounts with long fixed-interest periods increased, which reduced the EatR. The decline in the EatR in 2014 was however mainly due to the fall in market interest rates. This in turn led to a decline in quotation risk, and increased the economic value of equity.

In addition to the EatR, Rabobank uses the BPV or delta of equity to control and manage interest rate risk from the perspective of value. The BPV of equity shows the change in the economic value of equity if all interest rates in the money and capital markets were to rise by 1 basis point (or 0.01 of a percentage point). The application of the delta profile is designed to control and manage the risk of changes in the shape of the yield curve from the perspective of value. For each individual maturity, the delta profile represents the change in the economic value of equity as a result of a 1-basis point increase in the market interest rate for the maturity concerned. Both the BPV of equity and the delta profile remained within the limits set in 2014.

Risk appetite and developments in relation to latR

The main measure used by Rabobank to manage interest rate risk from the earnings perspective is the latR. The latR is the largest deviation in negative terms of the expected net interest income in the next 12 months as a result of a gradual rise in all money and capital markets interest rates in this period by 2 percentage points and of a gradual decline in all money and capital markets interest rates in this period by 2 percentage points. The limit for this measure was EUR 500 million in 2014.

The latR analysis does not take account of active management intervention, but it does take account of the changes in repayment and savings behaviour of customers associated with this interest rate development, and of changes to the pricing policy for savings products.

latR		
	<i>31-Dec-14</i>	<i>31-Dec-13</i>
Euro interest rates	2 basis points decline	10 basis points decline
latR in millions of euros	15	50

In 2014, Rabobank's net interest income was exposed to a decline in interest rates throughout the year. The latR amounted to up to EUR 55 million (in May). On 31 December 2014 the latR stood at just EUR 15 million. This low level was mainly due to the assumption that interbank money market rates and swap rates cannot fall below 0%. As a result, the assumed decline in euro interest rates as at 31 December was 2 basis points instead of 200 basis points. As at 31 December 2013 and in the first five months of 2014 this was still 10 basis points.

In order to estimate the potential effect on the result of movements in interest rates, some other scenarios are calculated in addition to the two scenarios in which all market interest rates rise or fall gradually by 2 percentage points, including a steepening and a flattening of the yield curve. Over the whole of 2014, the potential effect of these scenarios on net interest income in the next 12 months was more favourable than the potential effect of the scenario in which all interest rates gradually decline by 2 percentage points.

Currency risk in the banking environment

Currency risk is the risk that the bank's financial result and/or economic value will be negatively affected by changes in exchange rates. We can distinguish two types of currency risk: transaction risk and translation risk.

Transaction risk is the risk that the bank will suffer losses as a result of actual or expected [cash flows](#) in foreign currencies. Transaction risk occurs at many places within the bank, for example as a result of attracting funding in various foreign currencies.

Translation risk arises in the preparation of the bank's consolidated financial statements, in which all items in foreign currencies have to be converted into euros. This means that the financial figures are affected by fluctuations in exchange rates. Translation risk arises at the bank in three different ways:

- The bank's solvency ratios can be affected by changes in foreign currencies as a result of differences in the currency composition of the capital and the risk-weighted assets.
- Fluctuations in foreign currencies can affect the value of (fully or partially) consolidated foreign entities for which the functional currency is not the euro.
- The value of non-euro denominated strategic holdings may be affected by movements in foreign currencies.

Risk management framework

The policy of the bank is aimed at limiting transaction risk as much as possible. Group entities must hedge their open positions in currencies other than their functional currency as far as possible. Among other things, this is done by entering into FX forward contracts and cross-currency swaps with the various trading desks within the trading environment. Within the trading environment, these currency risks are managed within the market risk limits for the trading books.

For the monitoring and management of translation risk, Rabobank uses a policy designed to protect the common equity tier 1 ratio against the effects of exchange rate movements.

Risk measurement

Unhedged translation risks are measured using the VaR method. Translation risks are measured using a confidence interval of 99.99% and an assumed horizon of one year. The VaR for translation risk amounted to EUR 471 million as at year-end.

Liquidity risk

Liquidity risk is the risk that the bank will not be able to meet all of its (re)payment obligations on time, as well as the risk that the bank will not be able to fund increases in assets at a reasonable price, if at all. This could happen if, for instance, clients or professional counterparties suddenly withdraw more funds than expected, which cannot be absorbed by the bank's cash resources or by selling or pledging assets in the market or by borrowing funds 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 Rabobank kept good access to public money and the capital markets.

Risk management framework

Liquidity risk has long been recognized as a major type of risk by Rabobank. In line with CRR (CRD IV), Rabobank's policy is aimed at financing long-term lending with stable funding, i.e. funds entrusted by customers and long-term funding provided by the professional markets. Responsibility for the day-to-day management of the liquidity position, the raising of professional funding on the money and capital market, and the management of the structural position lies with the Treasury department.

Liquidity risk management is based on three pillars. The first pillar sets strict limits for the maximum cash outflow of wholesale banking. This includes daily measurement and reporting of expected cash inflows and outflows for the next twelve months. Limits have been set for these cash outflows, per currency and per location. Detailed plans (the contingency funding plans) have been drawn up for contingency funding to ensure the bank is prepared for potential crisis situations. Periodic operational tests are performed for these plans. An operational test of the Rabobank contingency funding plan took place in 2014.

An extensive buffer of liquid assets is maintained as a second pillar. In addition to credit balances held at central banks, these assets can be used to be pledged to central banks, in repo transactions or to be sold directly in the market as to generate liquidity immediately. The size of the liquidity buffer is attuned to the risk Rabobank is exposed to in its balance sheet. In the past few years, Rabobank has (internally) securitised a portion of the loan portfolio, which can therefore be pledged to the central bank and accordingly acts as an additional liquidity buffer. As these are internal securitisations for liquidity purposes only, they are not shown in the balance sheet for financial reporting purposes but they do count towards the liquidity buffer in place.

The third pillar for limiting liquidity risk is a prudent funding policy, in order to be able to provide funding to Group entities at acceptable costs. Key success factors are the diversification of funding sources and currencies, the flexibility of the funding instruments used and an active investor relations role. This helps to ensure that Rabobank does not become excessively dependent on any single source of funding.

Risk measurement

Comfortable liquidity position

Rabobank's liquidity buffer remained robust in 2014. The total liquidity buffer at 31 December 2014, measured in High Quality Liquid Assets (HQLA), was EUR 80 (84) billion. The decrease (in absolute terms) is a consequence of a decline in the investments in government bonds. Measured in terms of the Liquidity Coverage Ratio (LCR) of 144% (126%) and Net Stable Funding Ratio (NSFR) of 115% (114%), the position remained comfortably above current or future limits. Moreover, the available liquidity exceeded the minimum DNB requirement by an average of 34%. In 2013, based on previous guidelines¹ this was still 41%.

EDTF 18

1 The DNB haircuts on external ABS and internally held RMBS were adjusted upwards. Since the beginning of 2014, the new haircuts have to be used and had a negative effect on the DNB liquidity position of EUR 18 billion.

Total buffer composition (including retained RMBS) at year-end 2014



■ Total stock of Level 1 assets	62%
■ Total stock of Level 2a assets	2%
■ Total stock of Level 2b assets	1%
■ Eligible Retained RMBS	35%

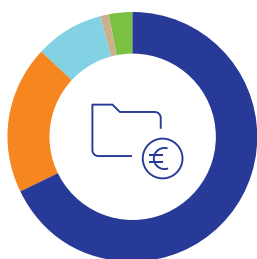
Currency split HQLA at year-end 2014



■ EURO	50%
■ USD	29%
■ Other	21%

EDTF 21

Level 1 assets issued by sovereigns at year-end 2014



■ Netherlands	68%
■ France	19%
■ United States	9%
■ Germany	1%
■ Other	3%

HQLA buffer		
<i>in millions of euros</i>	<i>31-Dec-14</i>	<i>31-Dec-13</i>
	<i>Amount/ market value</i>	<i>Amount/ market value</i>
Level 1 assets		
Coins and banknotes	726	954
Central bank reserves that can be drawn in times of stress	39,207	38,675
Securities issued or guaranteed by sovereigns, central banks en mdb's	36,432	42,167
Total stock of Level 1 assets	76,365	81,796
Level 2A assets		
Securities issued or guaranteed by sovereigns, central banks en mdb's	2,231	1,122
Non-financial corporate bonds, rated AA- or better	107	133
Covered bonds, not self-issued, rated AA- or better	129	205
Total stock of Level 2A assets	2,466	1,461
Level 2B assets		
Residential mortgage-backed securities (RMBS), rated AA or better	542	1,048
Non-financial corporate bonds, rated BBB- to A+	412	191
Total stock of Level 2B assets	955	1,239
Total stock of HQLA	79,786	84,496
Eligible Retained RMBS	43,184	43,253
Liquid Equity	32,828	23,292
Other securities, equity and gold	13,891	24,015

Of the HQLA buffer 49% consists of deposits at central banks, mainly held at the ECB, the Bank of England (BOE) and the Federal Reserve (FED). The best category of buffer assets (Level 1 assets) constitutes approximately 96% of the HQLA buffer (and 62% of the total buffer). The HQLA buffer reported unencumbered and is managed by the Treasury department. In addition to this HQLA buffer, a significant amount of eligible, retained RMBS notes are held as a buffer for liquidity purposes, secured by residential mortgages issued by Rabobank. Furthermore Rabobank holds a portfolio of equities mainly obtained by short term equity finance that can be liquidated, although this does not qualify as part of the HQLA (level 2B) buffer.

Excellent access to funding

The domestic retail banking business is to a large extent funded by funds deposited by retail customers. In 2014, funds entrusted by customers of the domestic retail banking business declined, mainly due to prepayments on residential mortgage loans. The increase in funds entrusted by international businesses was mainly due to some short term deposits from public sector entities and large corporates. This, and a decrease in assets, contributed to a reduction in the dependency on wholesale funding.

Access to funding		
<i>in millions of euros</i>	<i>31-Dec-14</i>	<i>31-Dec-13</i>
Funds entrusted to Rabobank Group	326,471	326,222
Netherlands retail	209,086	215,680
- Private customers	135,898	138,220
- Businesses	73,188	77,461
Netherlands non-retail	45,746	46,139
- Private customers	268	10
- Businesses	45,478	46,129
International¹	71,639	64,402
- Private customers	26,381	26,374
- Businesses	45,259	38,028
Wholesalefunding	216,305	219,350
Issued debt: CD/CP/ABCP		
- CD	41,824	42,796
- CP/ABCP	13,241	11,620
Total short term issued debt	55,065	54,415
Wholesalefunding: other	161,240	164,935
- of which subordinated	11,928	7,815

1 Of the total international funds entrusted, EUR 30.4 (29.1) billion is attributable to International Direct Retail Banking activities.

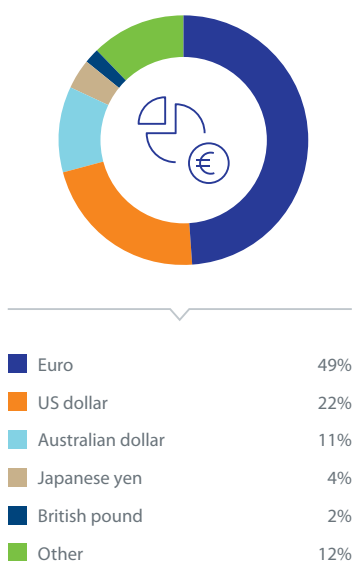
EDTF 20

In 2014, Rabobank issued EUR 22 billion of senior unsecured long-term bonds in sixteen different currencies. By operating on a global scale, the bank aims to avoid becoming too reliant on a single source of funding. The average maturity of the newly issued unsecured long-term bonds is approximately four years (2013: 4.2 years).

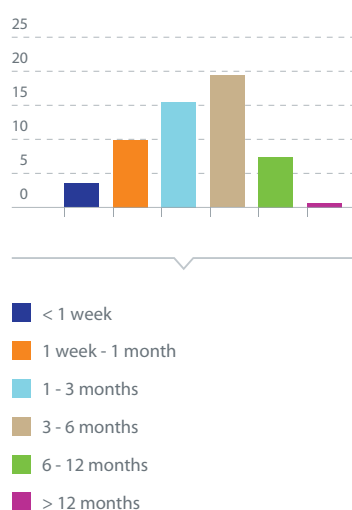
Of the total wholesale funding, excluding commercial paper and certificates of deposit, more than EUR 58 billion matures after five years or more as at year-end 2014.

Rabobank is a frequent and flexible issuer of short-term debt securities and has seen a solid inflow of funds in the past years, reflecting its good creditworthiness. The maturity of the short-term debt has decreased in the past twelve months. The average maturity of short-term funding decreased to 91 (122) days in 2014.

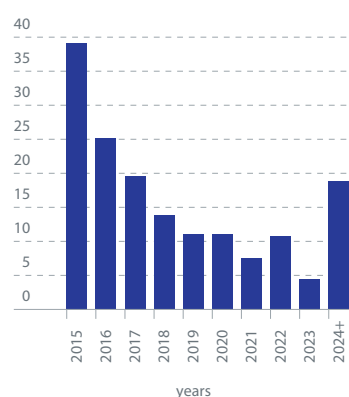
Unsecured long-term bonds by currency at year-end 2014



Maturity date calendar, short-term wholesale funding in billions of euros



Maturity date calendar, long-term wholesale funding in billions of euros



Asset encumbrance

The encumbrance of assets is a standard element of a bank's business. An asset is to be treated as 'encumbered' if it has been pledged or if it is subject to any form of arrangement to secure, collateralize or credit enhance any transaction from which it cannot be freely withdrawn. At year-end 2014, EUR 54 billion of Rabobank's balance sheet assets were encumbered. This corresponds to 8.0% (7.4%) of the total balance sheet. The encumbered on-balance sheet items were mainly due to the clearing of derivatives positions and funding-related transactions, such as securitisations and asset backed commercial paper, for which loans are placed as collateral. The proportion of encumbered assets compared to the bank's funded assets was 4.8% (4.4%) at year-end 2014.

In the event of a downgrade to Rabobank's credit rating, the bank could be required to provide additional collateral. The table below shows the potential maximum outflow in the worst-case scenario in the event of a one, two or three notches downgrade.

31-Dec-14										
in millions of euros										
Rating downgrade	Funding			Derivatives			Other			Total
	Total funding	Of which EIB funding	Of which GIC accounts	Total derivatives	Of which swap guarantees internal	Of which swap guarantees external	Total other	Of which letter of credit	Of which liquidity facility	
0 notch	245	-	76	-	-	-	-	-	-	245
1 notch	1,238	-	102	377	-	331	180	180	-	2,041
2 notch	1,765	-	1,109	1,096	970	57	900	328	497	5,802
3 notch	2,338	1,750	-	101	-	-	1	1	-	8,242
Total for 3 notches	5,587	1,750	1,287	1,574	970	388	1,081	509	497	8,242

These outflows are based on rating triggers that will be hit in the event of a credit rating downgrade. In case rating triggers are agreed for several rating agencies, the amount for the first rating to be hit is reported in this table. Short-term ratings are translated to their long-term rating equivalents.

In this table a split has been made between funding transactions, derivatives and credit related instruments. In this table, funding instruments are any kind of instrument that could lead to an independent repayment obligation of Rabobank. Examples of funding instruments include, but are not limited to: any kind of deposits, bonds, loans or wholesale funding. Two important categories within the funding category presented here are funding from the European Investment Bank (EIB) and Guaranteed Investment Contracts (GIC) accounts.

Derivative documentation can also contain rating triggers on Rabobank that could potentially result in additional liquidity risk for Rabobank. This could apply on termination of a contract (payment of the market value) or due to the placement of additional collateral as a result of a downgrade. Swap guarantees constitute a specific product in the derivatives category, in which Rabobank acts as the central counterparty in two opposing swap transactions. In this transaction, one of Rabobank's counterparties is a SPV and the other counterparty in this swap is the sponsor of the SPV. This table distinguishes between SPVs originated by Rabobank and third party sponsored SPVs.

Rating triggers could also be included in credit related instruments or in a guarantee/letter of credit, which means that the beneficiary of the guarantee, under certain conditions could request payment under the guarantee upon a rating downgrade of Rabobank. In that case, Rabobank has direct claim on the customer for whom the guarantee was provided. This initial outflow is recognised under 'Other'.

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 also made 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 applies the three-lines-of-defence model. The Group entities are the first line of defence and bear full responsibility for daily risk acceptance and 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 Risk Management. The Group entities' risk management functions advise on risks and challenge the first line of defence on how to manage risks at the entity level. Risk Management is responsible for the Group-wide risk policy and challenging the Group entities and local risk management functions on their risk management. The internal audit functions at Group and entity level make up the third line of defence.

The Operational Risk Committee is responsible for defining operational risk policy and its parameters at Group level. In addition, 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 system continuity and fraud risks, of the relevant entity.

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



Rock-solid
bank

Full customer
focus



Empowering
employees

Meaningful cooperative

Meaningful cooperative

The cooperative model always has and always will be the foundation of Rabobank. Nearly two million customers in the Netherlands are members of their local Rabobank. They have a voice in determining the bank's policies via a members council. A number of different customer councils have also been set up outside of the Netherlands for this purpose. Our members and customers keep us on our toes, ensure that we stay connected to the community and help us build and sustain a meaningful cooperative.

Our cooperative identity is reflected in our day-to-day actions. In the Netherlands this is expressed via our local Rabobanks, but also especially in our impact on society. Rabobank does, after all, want to strengthen its customers' living and working environment. This is why we invest extensively in all sections of society, support vulnerable groups, promote corporate responsibility and investment, and engage in ongoing discussions with social welfare organisations. The local Rabobanks contribute to this through local programmes and initiatives.

Vital communities

Societies all over the world are changing at a rapid pace. Government influence is dwindling and individuals everywhere are feeling the urge to take charge of their communities and achieve change together. These developments offer a type of 'grassroots' environment that cooperatives tend to grow and thrive in.

We aim to increase the vitality of the communities in which we are active. Not only in our role as a bank, but also as a driver of social initiatives. This is how we encourage people to become more self-sufficient while at the same time making society more sustainable. By the year 2020 we intend to support 1,000 collective local social initiatives to improve their business success, including 500 in the Netherlands and another 500 in developing countries.

Local cooperatives in the Netherlands

The citizens' initiatives supported by our local Rabobanks in the Netherlands in 2014 were devoted to three key themes: solar energy, care for the elderly and internet access. We tend to be inspired in our work by individuals who, after becoming aware of some form of social ill, decide to take action to turn the situation around. These initiatives are born of a direct need and virtually always end up improving the vitality of the community in question. This is why we are pleased to support them. While we do sometimes donate from one of our social funds, we are generally able to support people by sharing our knowledge and providing them with access to our networks.

WeHelpen

The website WeHelpen.nl is a national platform in the Netherlands whose purpose is to bring people and communities closer together. People who require assistance place advertisements on the website and volunteers who provide such assistance can then respond to these ads.

These requests may involve anything from informal care and odd jobs around the house to walking the dog and painting lessons.

Rabobank is one of the founders of WeHelpen, which was established in 2012. By the end of 2014, more than 17,000 users were registered on the platform. In 2014, a total of 2,100 public requests for assistance were posted and 1,100 support networks of people who help each other were created. Fifteen local Rabobanks are currently members of the WeHelpen community, along with several large Dutch health insurance companies, around fifteen municipal governments and healthcare institutions, home care providers and housing associations.

➤ Read more about WeHelpen.nl [here](#).

Services to the healthcare industry

We regard healthcare as one of the cornerstones of any vital community. Rabobank is a leading bank in this sector, not least because of its knowledge in this area. Indeed, we are the primary banker of many healthcare institutions and medical professionals. For example, we were involved in establishing the new Princess Máxima Children's Cancer Centre in Utrecht. Founded at the initiative of parents of patients and professionals working in this field in the Netherlands, the centre brings together leading experts in healthcare and research. A bank consortium including Rabobank and BNG Bank entered into a credit arrangement in 2014 for the construction of the building and to provide the working capital.

Vulnerable populations in the Netherlands

Ordinary everyday activities such as paying for purchases with a debit card or credit card, using your mobile or PC for online banking, or withdrawing cash from an ATM seem the most natural thing in the world. However, this is not so self-evident for society's more vulnerable populations, such as elderly people with dementia and people who cannot read or write. Rabobank acts as an advocate for these groups in the Netherlands and makes efforts to remove some of the barriers that prevent them from performing financial transactions if needed. Rabobank Foundation plays a particularly important role in financing and driving these initiatives.

Rabobank manages several projects related to financial education. We developed the 'Banking Together' concept, which supports customers who are incapable of managing their own banking affairs. The website Steffie.nl makes our financial services accessible to people who are semi-literate or illiterate. Through Rabobank Foundation, we also support the Home Administration programme initiated by volunteer organisation Humanitas, which assists people with financial difficulties.

Besides promoting education, we also seek to raise awareness and encourage a debate on the circumstances of the various vulnerable populations living in our communities. As part of these efforts, we donate funds to DementieEnDan ('Dementia: then what?') and Cooperative Dementia Delta Plan, two programmes dedicated to raising awareness of the many arrangements that need to be made on behalf of people suffering from dementia. Rabobank and Alzheimer Netherlands jointly organise information sessions in local communities. The documentary footage developed through DementieEnDan was used for training courses for our advisors, using a donation from Rabobank Foundation.

➤ Read more about Humanitas' Home Administration programme [here](#).

Promoting self-sufficiency

We make efforts to improve the future prospects of disadvantaged populations by teaching them the importance of self-sufficiency. This form of 'development cooperation' dovetails seamlessly to our bank's principles, history and background. It is why Rabobank Foundation has been dedicated to empowering the weaker members of societies all over the world for forty years. In the Netherlands, the Foundation focuses on vulnerable populations and in developing countries in Africa, Asia and Latin America it helps small farmers to achieve independence.

To support them in doing just that, we provide this group access through cooperatives to loans and other financial services, including savings accounts. They can use these funds to invest in their farm, which helps them to improve themselves and develop the local economy.

In many rural areas, banks are thin on the ground. And even if there is a bank, it does not provide loans to small farmers who have no fixed income or are unable to provide security. In these cases, banks simply consider the risks involved too high. Shut off from other sources of finance, farmers have no choice but to turn to high-interest lenders, which only lands them in deeper financial trouble.

The Rabobank Foundation therefore provides loans for working capital, investments and other purposes to cooperatives. It may do this in the form of a guarantee through a local bank or one of Rabo Development's partner banks, with the objective of giving the cooperatives the funds to lend to their members at fair market terms. Farmers can then use this capital to invest in livestock, fertiliser, equipment or other essentials. The cooperative may also decide to professionalise its own business operations and add more value to the supply chain. Rabobank's social fund supported more than 400 projects at the end of 2014 involving more than 300 project partners, the majority of which were producer cooperatives and savings and loan cooperatives spread across 29 countries. Rabobank Foundation had more than EUR 28 million outstanding in loans and guarantees at the end of 2014 and approved an amount in excess of EUR 3.8 million for technical support and small donations during the year.

In order for organisations and farmers to become self-sufficient, they must be able to keep track of their finances, which will allow them to save money and, over time, to make further investments to increase their production levels, processes or other resources to help them raise their standard of living. This is why financial education is a central focus for Rabobank Foundation, along with training courses to help farmers improve their productivity.

Through one of its projects in Tanzania, Rabobank Foundation donates EUR 250,000 a year to the NMB Foundation, which provides training in finance and organisation to hundreds of small cooperatives. This initiative consequently coincides with agronomic projects organised in cooperation with bank customers or a collaborative partner such as the FAO.

 Read more about forty years of Rabo Foundation [here](#).

Partner banks in developing countries

Many people in developing countries, particularly in rural areas, do not have access to financial services. Payments, savings and lending are far from commonplace for people in large parts of the world, while these financial services are a key prerequisite for economic growth.

Rabobank has in the past gained valuable knowledge and experience in the Netherlands in the field of including people in the financial system. The environmental factors at that time are comparable to the environmental factors that financial institutions in developing countries are now facing. Rabo Development shares this knowledge with financial institutions in selected markets in order to support them in their quest to make financial services available to more people in a sustainable manner. The related focus of Rabo Development is on rural areas and the agricultural sector, whereby it supports development that has far-reaching impact.

In order to genuinely transfer this knowledge, Rabo Development primarily enters into partnerships with selected financial institutions in developing countries. It enters into a long-term commitment by acquiring a minority stake in the financial institutions, supplemented with the provision of management assistance and technical assistance. Capital is provided in order to support the bank to achieve further growth and development. Management and technical assistance are the primary channels for transferring knowledge, for example in the fields of IT, risks, products and governance. The related aim is for the financial institutions to become leading and sustainable local retail banks with a clear focus on rural areas.

The activities of Rabo Development are increasingly strengthened by the activities of the Rabobank Foundation, which focuses on developing and financing groups of small farmers so that they can continue to invest and grow.

Rabo Development has entered into partnerships with 8 financial institutions. The partner banks are located primarily in East Africa and Latin America. There is also a partner bank in China.

- Read more about this subject [here](#).
- Read more about Rabo Development [here](#).
- Read more about International cooperation [here](#).

Investing in society: the Netherlands

Rabobank supports a large number of social initiatives in the communities in which we are active. We allocate 3% of Rabobank Group's annual profit for social not-for-profit initiatives and use our manpower, knowledge, networks and facilities to support these types of initiatives.

Local Rabobanks in the Netherlands also allocate a portion of their net profit to social investments each year. We have a name for this type of allocation: 'cooperative dividend'. We paid a total of EUR 64.8 (69.2) million in cooperative dividend in 2014.

All local Rabobanks in the Netherlands made substantial investments in their operating areas in this way, resulting in new partnerships and innovative projects. In order to increase the impact of these initiatives and raise their profile, we decided in 2014 to assign three themes to these local activities: sustainability, economic vitality and liveability.

One example is a Limburg poultry farmer who discovered that egg yolk contains a substance that delays the deterioration of eyesight. He went on to establish his own business, Newtricious, to conduct further scientific research and market a food supplement. Rabobank Horst Venray initially supported his initiative by paying a cooperative dividend, but the business required more capital and a more substantial loan. The local Rabobank gave him advice and offered him a loan. The resulting product named MacuView is now commercially available, backed by scientific research.

The Rabo Versterkt ('Rabo Reinforces') online platform contains an interactive map of the Netherlands featuring various local initiatives launched by our banks. There were more than forty local Rabobanks active on this website at the end of 2014. The examples shown (many in the form of short videos) relate to themes such as sustainability, economics, housing, healthcare and sponsorship. The website details how we contribute to the local community and to the Netherlands as a whole.

Investing in society: worldwide

The investments of our local Rabobanks do, however, extend far beyond national boundaries: Rabobank Foundation provides the opportunity for participants to 'adopt' social projects outside the Netherlands. Several banks have opted for this particular investment method. Customers can also join these initiatives by donating funds or sharing their knowledge. Rabobank Weerterland decided to support a project based in Indonesia, where it has joined ten clients in supporting small dairy farmers.

[Read more about this project here.](#)

Cooperative dividend				
<i>in millions of euros</i>	2014	2013	2012	2011
Cooperative funds (local Rabobanks)	36.4	44.1	42.8	37.0
Donations by Rabobank Nederland and other Group entities	8.0	8.0	4.6	5.2
Rabobank Foundation (in and outside the Netherlands)	19.5	16.4	19.8	15.7
Project fund	0.0	0.0	0.0	1.1
Award money Herman Wijffels Innovation Award	0.1	0.2	0.1	0.1
Share4more	0.8	0.6	0.6	1.1
Total community funds and donations	64.8	69.2	67.9	60.2

Sponsor of sports

As the largest and most socially engaged sponsor of sports in the Netherlands, Rabobank also assumes its share of responsibility in building a more vital society. The three main sports we support are hockey, equestrian sports and cycling, ranging from amateurs to world champions. In addition to endorsing these three sports, Rabobank is also a Partner in Sport of the Netherlands Olympic Committee**Netherlands Sports Federation (NOC*NSF)*. We also support various types of sports for the disabled and we are an official '1% FairShare®' partner, which involves a programme whereby businesses are asked to invest 1%, in addition to their total sports sponsorship budget, into sports for the disabled. We also support the Youth Sports Fund, which provides funds for children from disadvantaged backgrounds to join a club.

By becoming involved in the many sports associations within their field of operation, the local Rabobanks support an important cornerstone of society and underscore the bank's social involvement. They contribute in a small way to these clubs, which in turn play an important role in society.

An initiative organised in the city of Rotterdam last year showed once again just to what extent sport unites people. When it turned out many children in the working-class neighbourhood of Feijenoord were not involved in any sports, a resourceful neighbourhood resident decided to start a hockey club right in the heart of the community. Although field hockey in the Netherlands has traditionally not been a working-class sport, Rabobank Rotterdam decided to support the plan and the Hockeyclub Feijenoord continues to welcome many new members every day.

A total of EUR 45.5 million was donated to social sponsorship in 2014 (2013: EUR 45.2 million).

> You can read more about this subject [here](#).

Community					
<i>in millions of euros</i>	2014	2013	2012	2011	2010
Rabobank Nederland, Communications	15.2	12.5	30.3	25.1	24.1
Rabobank International and other Group entities	7.3	7.8	11.0	9.7	11.8
Local Rabobanks	23.0	24.9	27.4	27.0	24.1
Total community sponsorship	45.5	45.2	68.7	61.8	60.0

Social investment

Impact investing is a form of investment whereby we aim for both financial returns and social returns. Rabobank has embraced this investment method and explored opportunities in 2014 to start offering these types of investment products to retail customers and private banking customers.

We are already offering products to our institutional customers which generate both financial returns and public benefits, such as Dutch Greentech Fund, Rabo Farm, Rabo Rural Fund and Rabo Inclusive Business Fund. Rabo Farm launched its second European fund in 2014 and also launched Shift Invest last year. The bulk of Shift Invest's future investments will focus on health and prosperity.

It is our ambition to adjust our processes so as to be more aware of socially responsible investments in which we can make the most impact. This way, this form of investment can grow at a pace we feel is appropriate in 2015, where the customer and society both stand to benefit.

Public debate

Rabobank actively engages in discussion with social welfare organisations; these discussions tend to focus on the standpoints taken by the bank. The bank may decide to meet with these organisations because of an event or specific developments covered by the media. The bank receives regular questions and feedback about investigations relating to bank policies. We also hold meetings at regular intervals with some of these organisations. Included in the appendix of this report is a list of topics of debate with societal stakeholders and the outcome of this.

A number of significant sustainability issues were addressed during the meetings in 2014, related to the production and trade supply chains for palm oil, soy, livestock farming, meat production and energy.

Rabobank will redefine its policy in terms of these issues and will be more transparent in communicating about their content and implementation.

Rabobank's specialists follow political meetings and debates closely. They liaise with politicians and civil servants in The Hague and Brussels, as well as with financial regulators. The bank participated in the round tables hosted by the Lower House of the Dutch Parliament on big data and sustainable, diverse and service-oriented banking. At a European level, we provided input for the establishment of the Banking Union. We also joined forces with LTO Nederland (Dutch Federation of Agriculture and Horticulture) and the Dutch government to advocate compensation for horticulturists for the losses they suffered as a result of the Russian trade sanctions. Rabobank is also well-represented in international trade missions, economic missions and state visits, to which it regularly sends delegates. Rabobank representatives joined King Willem-Alexander and Queen Máxima on state visits to Poland and Japan. We accompanied

them because Rabobank Farm was to sign a contract with a Polish-based company. Rabobank organised a food and agri conference following the state visit to Japan. A bank delegation also took part in the economic missions to Indonesia, Brazil, Turkey, Vietnam, Congo, India and Peru.

The bank has set out its standpoints in a series of position papers, which are also available on our corporate website. In 2014, we described our policies concerning big data, lending, sustainability and other issues.

➤ Click [here](#) to read Rabobank's standpoints.

Societal stakeholders

In a 2014 survey in which several key stakeholders were asked to rate Rabobank based on various criteria, we received a median score of 5.5, which is equal to the median for the banking industry as a whole.

We received the highest ratings from regulators, politicians and industry associations, all of whom cite leadership, management, future vision and public debate as key criteria. We found that the most critical entities were public interest organisations. They tend to be most concerned with achieving the particular public mission they represent.

The 2014 survey respondents valued the direct relationship with Rabobank over our general reputation. We received an average score of 6.4 (i.e. all categories combined). The score respondents awarded us for their relationship with us ranged from 7.6 from regulators to 4.9 from public interest organisations. If we are to restore public trust in our bank, good relationships and open and constructive dialogue are essential.

<i>Average score per stakeholder group</i>	<i>Reputation of Rabobank</i>	<i>Relationship with Rabobank</i>
Regulators	5.9	7.6
Politicians	5.9	7.0
Industry associations	5.8	6.6
Journalists	5.7	6.2
Consumer rights organisations	5.6	6.1
Government	5.3	6.2
NGOs	4.4	4.9
Total assessment	5.5	6.4

The scores are based on the Stakeholder Reputation Insights survey initiated by research company Motivaction. The survey was first conducted in the summer of 2014 among 78 representatives of seven stakeholder groups, who scored us on more than 40 categories.

The main areas for improvement for Rabobank as indicated by the stakeholders surveyed:

- Customer focus (i.e. a more personalised approach)
- Active participation in the public debate
- Demonstrating leadership and vision
- Revealing our identity as a cooperative organisation

Rabobank intends to conduct the Stakeholder Reputation Insights survey again in 2015.

Remuneration

Remuneration is more than just pay. That is what Rabobank firmly believes. We aim to be an attractive employer, but the salary we offer is only one element of this. We set high standards in other areas: an inspiring working environment, the opportunity to assume personal responsibility, develop talents and work for an organisation in which employees work productively with each other and give each other feedback. As an organisation we are involved in society directly, but also as an employer of employees who are keenly aware of topical issues and concerns in society. When it comes to Rabobank's remuneration policy, the bank pursues its own – relatively moderate – policy in determining the amount of employee pay.

Remuneration policy

A Vision on Remuneration and the Group Remuneration Policy have been in place at the Rabobank Group for several years. Most employees working within the Rabobank Group are subject to the scope of the Rabobank Collective Labour Agreement. The Executive Board and the executives have their own remuneration package. DLL and Rabo Real Estate Group have adopted remuneration policies of their own, within the frameworks of the Vision on Remuneration and the Group Remuneration Policy. Rabo Real Estate Group also has its own Collective Labour Agreement. The remuneration policy abroad is based in part on local laws and regulations and market conditions.

Vision on Remuneration

The basic principles of the remuneration policy are set out in the Vision on Remuneration document. The policy is designed to promote fair and consistent employee compensation, based on an effective employment position classification system. Variable remuneration has been discontinued for the large majority of employees. In areas where Rabobank Group does still award variable remuneration, it is capped. Guaranteed variable remuneration is not permitted.

The annual performance appraisal and remuneration cycle is designed to select the appropriate objectives that both put customer interests first and help ensure Rabobank's long-term continuity and financial strength. Setting and measuring result and competency targets is part of this cycle.

We regularly use an external benchmark to compare the level of remuneration with that of the relevant market. Rabobank deliberately chooses a target position for the purposes of this kind of benchmarking. In principle, we aim to set our remuneration on or just shy of the median¹ paid in the relevant market for comparable work.

¹ This is the middle value.

Group Remuneration Policy

The principles and guidelines of the Vision on Remuneration are detailed in the Group Remuneration Policy. This also sets out the requirements under external legislation and regulations, including the Dutch Banking Code, the Regulations on Restrained Remuneration Policy, and the Capital Requirements Directives (CRD IV).

The Group Remuneration Policy applies to Rabobank Group as a whole. The boards of the subsidiaries (DLL, Rabo Real Estate Group, Obvion) are responsible for adopting and implementing a remuneration policy in line with the Vision on Remuneration and the Group Remuneration Policy. The remuneration policies for local Rabobanks are set by the Rabobank Nederland Executive Board. The Supervisory Boards of local Rabobanks monitor compliance with the remuneration policy within the local Rabobanks and are responsible for the remuneration of management within the policy set by Rabobank Nederland.

The Group Remuneration Policy is in line with our business strategy, our core values and the desired risk profile of Rabobank Group. It supports solid and effective risk management processes, and discourages employees from taking non-desirable risks. At the same time, it allows Rabobank to attract and retain highly qualified people in all markets, while encouraging employees to aim for long-term results that serve the long-term interests of Rabobank Group and its customers.

Variable remuneration

Remuneration in the financial sector has been a subject of general public debate for several years, both in the Netherlands and abroad. The 'bonus culture' at banks, real estate businesses and insurers attracted particularly strong criticism, owing to various reprehensible affairs. Rabobank takes these views seriously and, partly for that reason, has discontinued variable remuneration for the large majority of its banking employees. Eliminating variable remuneration outright for all employees represents a dilemma for us. Our competitive position in the labour market means that we have to offer remuneration at market rates in order to attract and retain the right employees. This applies both in the Netherlands and abroad. Variable remuneration is often a standard element of the remuneration package in other countries, and for specialist positions in the Netherlands, With a view to providing professional customer services, we are therefore compelled to continue to offer variable remuneration for certain groups of employees, primarily within the Wholesale, Rural & Retail domain, DLL and Rabo Real Estate Group. The Group Remuneration Policy provides for measures designed to reduce the risks potentially associated with variable remuneration, such as an excessive focus on short-term profits and insufficient regard for long-term risks.

Certain groups of employees, primarily within the Wholesale, Rural & Retail domain, DLL and Rabo Real Estate Group, continue to be eligible for variable remuneration. The following risk-mitigating measures apply to them.

Deferred variable remuneration

A deferral policy applies to variable remuneration. This means that a portion of the variable remuneration (insofar as it exceeds a threshold amount), is paid on a deferred basis. The deferred payment covers a sufficient period of time, of at least three years, enabling the ex-post test to be performed.

Ex-ante test

The Executive Board verifies annually whether payment of the proposed variable remuneration is responsible, based on Rabobank Group's qualifying capital and solvency ratio. This 'ex-ante' test therefore centres on the question whether Rabobank is able to make the payments without experiencing financial problems as a result. The test is required to be approved by the Supervisory Board.

1 It is only possible when recruiting new employees, and only for the first year of the employment, to award compensation for the discontinuation of (deferred) variable remuneration they received from their previous employer. The full cycle of risk management is applied in this process.

Ex-post test

Before deferred amounts and amounts awarded on a conditional basis are released and are awarded unconditionally by the bank, we test whether there is a reason to downgrade the amounts. This test therefore centres on the question: was the award of the variable remuneration justified, even in the light of what we know today?

Claw back

In special cases, Rabobank can withdraw, or 'claw back', an award with retroactive effect. Rabobank Group is authorised to reclaim all or a portion of variable remuneration from both employees and former employees in the following cases:

- If payment was made based on inaccurate or misleading information regarding the achievement of the performance targets or regarding the conditions on which the variable remuneration was made dependent.
- If the employee concerned has been guilty of fraud.
- If the employee has participated in, or been responsible for, behaviours that have resulted in substantial losses and/or damage to the bank's reputation.
- If the employee has failed to satisfy the relevant standards for competence and appropriate conduct.

In addition to these measures above, the prohibitions below apply for all employees:

- It is not possible to award guaranteed variable remuneration to employees¹.
- Personal hedging strategies are not permitted under any circumstances whatsoever.
- No discretionary pension benefits are awarded to employees.
- A severance payment must reflect the quality of an employee's performance. An employee will not be rewarded for failure or misconduct.

Identified Staff

Employees who could have a significant impact on Rabobank's risk profile are designated as 'Identified Staff'. In 2014, the European Banking Authority issued new criteria for determining which employees should be designated as Identified Staff. Around four hundred employees are designated as Identified Staff within Rabobank, distributed across all entities of Rabobank Group. Only a portion of this group is eligible for variable remuneration. Extra strict rules apply to this specific group in order to minimise the risks involved. The most important of these risk-mitigating measures are briefly discussed below.

Balanced mix of performance targets

As for all other employees, a proper balance of performance criteria needs to be applied to Identified Staff. A maximum of financial targets applies specifically for Identified Staff and we measure performance at various levels: the level of the Group, the level of the business unit and the individual level.

Deferred variable remuneration and use of financial instrument

A minimum of 50% of the variable remuneration for Identified Staff that is eligible for variable remuneration is awarded conditionally and paid on a deferred basis. The payment is deferred for a period of at least three years. Half of the variable remuneration is awarded in the form of Deferred Remuneration Notes (DRNs), which are linked directly to the price of Rabobank Certificates. A retention period of one year applies to DRNs awarded unconditionally. This means that payments are made on DRNs one year after they have vested. The Executive Board can withdraw or reclaim this variable remuneration in accordance with the applicable legislation and regulations.

Retrenchment measures

Rabobank has implemented various retrenchment measures in the remuneration policy in the past few years. A pay freeze applies to the Collective Labour Agreement from 2012 to the end of 2016, and salary progression percentages were moreover reduced in 2013, further aligning the remuneration levels in the Collective Labour Agreement with the level in the general market in the Netherlands. No inflation adjustment or other increase in the remuneration package has been applied for the Executive Board and the executives since 2008.

In 2013, we discontinued variable income for all employees subject to the Rabobank Collective Labour Agreement, as well as for the Executive Board. In 2014, variable income for executives (the layers immediately below the Executive Board) was likewise eliminated. On balance this led to a retrenchment of the remuneration package. The bonus pool for employees in specialist positions and abroad has been declining over the past few years.

Lastly, it was decided in 2014 to discontinue the employee discounts for insurances and consumer financing, and to scale back the employee discounts for mortgage loans for employees in the banking domain in the Netherlands with effect from 2015.

 Read more about the fee structure of the Supervisory Board Rabobank Nederland [here](#).

Remuneration of the Executive Board

Remuneration package

The primary remuneration package of the members of the Executive Board consists of fixed pay and pension entitlements. Additionally, members of the Executive Board receive a management supplement that serves as a fixed reimbursement of expenses and they are eligible for an employee discount on mortgage loans. The members of the Executive Board ceased to be eligible for variable remuneration in 2013.

Fixed income

As with employees subject to the Collective Labour Agreement, salary scales have been set for the Executive Board, including a scale minimum and maximum. These are (including holiday allowance and annual allowance) as follows at 31 December 2014:

<i>In euros</i>	<i>Minimum</i>	<i>Maximum</i>
Chairman of the Executive Board	923,500	1,154,400
Members of the Executive Board	707,200	884,000

New members of the Executive Board start between the scale minimum and maximum concerned, enabling them to progress to the scale maximum over time.

Pension

The Rabobank pension scheme applies to members of the Executive Board. The pension scheme qualifies as a collective defined contribution scheme. With effect from 1 January 2015, the maximum income on which members of the Executive Board can accrue pension has decreased to EUR 94,600. Therefore, with effect from 1 January 2015, members of the Executive Board will receive an individual pension contribution.

Expense allowance

Members of the Executive Board are eligible for a fixed expense allowance to cover costs relating to the performance of their duties. These costs cannot be claimed separately. The underlying principle is that the amount of the expense allowance is based on customary practice in the market for similar positions.

Severance payments

Rabobank complies with all existing laws and regulations concerning the level of severance payments.

Individual remuneration

In 2014, the remuneration of members and former members of the Executive Board totalled 6.3 (5.8) million euro.

<i>in thousands of euros</i>	<i>Total salaries</i>	<i>Pension contributions</i>	<i>Total performance-related payment (discontinued in 2013)</i>	<i>Other</i>	<i>Total</i>
W. Draijer (<i>employment commenced on 1 July 2014</i>)	490	137	-	1	628
M. Minderhoud (<i>in office until 1 October 2014</i>)	739	-	-	-	739
A. Bruggink	885	277	-	-	1,162
B.J. Marttin	885	277	-	3	1,165
R.J. Dekker	723	226	-	-	949
H. Nagel	723	226	-	-	949
J.L. van Nieuwenhuizen (<i>in office from 24 March 2014</i>)	548	159	-	-	707
Total 2014	4,993	1,302	-	4	6,299
Total 2013	4,514	1,285	33	-	5,832

Mr Minderhoud stepped down from the Executive Board on 1 October. Remuneration for Mr Minderhoud is included until 1 October. No termination compensation was paid. Mr Draijer joined Rabobank on 1 July, and the Executive Board with effect from 1 October. Six months' remuneration are included for Mr Draijer.

As the variable remuneration for members of the Executive Board was eliminated in 2013, the number of DRNs awarded to members and former members of the Executive Board for the performance year 2014 is 0 (0). The number of DRNs outstanding with members and former members of the Executive Board at year-end 2014 is 12,133 (7,409). This total includes the DRNs awarded to members and former members of the Executive Board in previous positions.

Loans per member of the Executive Board

The loans, advances and guarantees provided to members of the Executive Board in office on 31 December 2014 and the average interest rates were:

<i>in millions of euros</i>	<i>Loans outstanding</i>	<i>Average interest rate (in %)</i>
W. Draijer	-	-
A. Bruggink	-	-
B.J. Marttin	0.6	4.2
R.J. Dekker	1.3	2.7
H. Nagel	1.0	1.9
J.L. van Nieuwenhuizen	2.0	3.7

Movements in the loans, advances and guarantees provided to members of the Executive Board in office on 31 December 2014 were as follows:

<i>in millions of euros</i>	2014	2013
Amount outstanding at beginning of year	3.4	4.8
Granted during the year	-	-
Repaid during the year	-1.1	-0.3
Decrease due to members ceasing to hold office	-0.2	-3.6
Increase due to new members joining	2.8	2.5
Outstanding at 31 December	4.9	3.4

These transactions, with Executive Board members personally, have been entered into on employee terms and/or at market rates. The level of the rates depends in part on the currency, the agreed fixed-interest period and the timing of entering into the transaction or the commencement of a new fixed-interest period.

Certificates per member of the Executive Board

One member of the Executive Board has, personally and/or via a pension B.V. (private limited liability company), invested in Rabobank Certificates. At year-end 2014, the number of certificates totalled 12,166.

	<i>Number of Rabobank Certificates</i>
A. Bruggink	12,166

Benchmark

In 2014, the remuneration of the Executive Board was again compared by an external firm (Hay Group) with the external market on the basis of two reference markets, one financial and one non-financial. It was decided not to use a single combined group, as there are too many differences in the underlying dynamics within those two groups. Both reference groups include listed and non-listed companies. The financial, sector-specific reference market was defined within an international/European context. This reference group consists of the following companies: Crédit Agricole, Banco Santander, Société Générale, Groupe BPCE, UniCredit, ING Bank, Nordea Bank, Intesa Sanpaolo, BBVA, Commerzbank, Danske Bank, DZ Bank, ABN AMRO and Caixabank. The group of 'cross industry' companies in the Netherlands was determined by selecting companies in the Netherlands that are comparable in terms of their size and complexity. This cross-industry reference group consists of the following companies: ABN AMRO, AEGON, Ahold, Akzo Nobel, DSM, FrieslandCampina, Heineken, ING Bank, ING Verzekeringen, KPN, Philips, Randstad, SHV Holding and TNT Express.

The benchmark results show that the aggregate remuneration of all the members of the Executive Board is within the bottom 25% of both reference groups, and is well below the median of the reference market. The Executive Board is not eligible for short-term or long-term variable remuneration; these are elements of remuneration that are customarily offered in the rest of the market. The current scale maximums for the Executive Board were set on the basis of a representative peer group in 2008 and have not been changed since that time. The Supervisory Board saw no reason in the results of the benchmarking in 2014 to adjust the levels of remuneration of the Executive Board. As a cooperative bank, Rabobank feels comfortable with the current remuneration of the Executive Board and will continue to take account of developments in the market in future decisions concerning levels of remuneration.

Performance management

The members of the Executive Board are all designated as Identified Staff. Accordingly, the performance targets of the Executive Board comply with the distribution prescribed for Identified Staff between group targets, business unit targets and individual targets. In addition, at least 50% of the performance targets consist of non-financial targets. Examples of performance and result targets applying to all members of the Executive Board are:

Risk awareness: I make risks a topic of discussion. I ensure that employees are aware of the risks they deal with in their day-to-day conduct and take responsibility for them. I lead by example. I discuss externally how Rabobank actively manages risks.

Healthy risk profile: I include explicit risk considerations in all decision-making. I demand that risks are discussed in strategic proposals and multi-year plans.

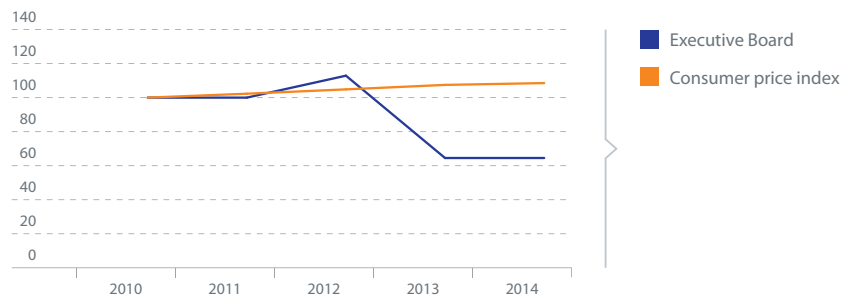
Management agenda: Together with the other members of the Executive Board, I implement the themes stated in the management agenda, taking account of the deliverables and timelines stated in it. The themes are: strategy, organisation & governance, culture & behaviour, focus on customer/ revitalisation of commercial activities, image management, risk management, budget realisation, management development and legislation and regulations.

Development of remuneration package

The salaries for the members of the Executive Board have not been adjusted for inflation or increased in any other way since 2008. In 2013, the variable income for the Executive Board was eliminated, while the rest of the remuneration package remained unchanged.

The chart below shows the development of the overall remuneration package (policy levels) of the Executive Board in the past five years as indices compared to 2010. The index for 2014 is 65, meaning that the overall remuneration package has fallen by 35% in a period of five years while the consumer price index rose by more than 8% in that same period. The peak in the graph in 2012 is connected to the elimination of the senior management supplement for the Executive Board in that year; a non-recurring compensation was provided for this in 2012. The decrease since 2013 is connected to the discontinuation of the variable income for the Executive Board.

Overall remuneration package for the Executive Board
2010 = 100



> Read more about the subject Remuneration [here](#).

Report of the Supervisory Board of Rabobank Nederland

2014, the transition is underway

Following 2013 – one of the most eventful years in Rabobank’s history 2014 can be typified as a promising and encouraging year. It was a year in which the beginning of a transition was clearly signposted by the start of the Group-wide culture programme, the progress towards updating the cooperative governance and the aim to be fully available for our customers on the basis of the One Rabobank concept. With the arrival of Wiebe Draijer, Rabobank has a new Chairman at the helm of an Executive Board that is working to make the bank more future-proof and revitalise the cooperative.

The three pillars of [corporate governance](#) at Rabobank Nederland are decisive management, effective member influence, and strong and independent supervision. The chapter on Corporate governance in this Annual Report describes the 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 chapter on the Dutch Banking Code. In this section Rabobank states that it follows these provisions for good governance in the financial sector. The Supervisory Board agrees with what has been described in these two chapters.

In accordance with its statutory duties and responsibilities, the Supervisory Board supervised the policies pursued by the Executive Board and the general course of affairs at Rabobank Nederland and its affiliated institutions. In addition, it served as a sparring partner to the Executive Board and acted as the employer vis-à-vis the Executive Board.

This chapter is structured as follows. First, it describes the main topics on which the Supervisory Board focused in its supervisory and advisory roles. This is followed by a discussion of its role as employer and, lastly, there is a section on its composition and performance.

Supervision and advice

Cooperative governance

In 2014, the Executive Board and the Supervisory Board, in close cooperation with the local Rabobanks, invested substantial time and effort to regain the trust of stakeholders, both internally and externally, and to set up contemporary cooperative local Rabobanks, with appropriate support from Rabobank Nederland. To that end the Executive Board decided in mid-March 2014 to introduce a Governance Committee. The Committee was tasked with advising the Executive Board on an organisation and governance for Rabobank that contribute in a future-proof way to regaining and consolidating the trust extended to Rabobank by customers, members, employees, supervisors and other parties. The Supervisory Board is periodically involved in the progress of the activities of the Governance Committee. The Cooperative Affairs Committee has a lead role on behalf of the Supervisory Board in this regard, by virtue of which it also effectuates the Supervisory Board’s advisory role. In addition,

members of the Supervisory Board attended the relevant meetings with the local Rabobanks. At the end of October, the Supervisory Board held a joint off-site session with the Executive Board on strategic topics, which included a detailed consideration of governance. The Supervisory Board is closely following the progress of debates on governance in order to ensure that the adopted line of thought and the process have the full support of the Supervisory Board.

One Rabobank: Vision 2016, Mars and Culture Collective

Looking at Vision 2016 – a fundamental innovation of customer service in the Netherlands through virtualisation and automation – and a number of lessons to be learned arising from the Libor case, the Executive Board and the Supervisory Board extensively discussed the desired organisation for Rabobank Nederland. In November 2013, the Supervisory Board discussed the new top structure for Rabobank Nederland and the corresponding revised portfolio allocation of the Executive Board. In accordance with this new top structure, the structure of the existing organisation within Rabobank Nederland that is geared to supporting the local Rabobanks was adapted in 2014, under the name Mars, in line with Vision 2016. Virtualise, advise and participate are the three pillars underpinning local customer services. The Executive Board and the Supervisory Board firmly believe that, particularly in times of limited growth and of cost savings, there needs to be a clear focus on mutual understanding and cohesion within the organisation. The feeling of all being part of One Rabobank can be nurtured by taking a greater interest in each other's activities and by jointly contributing to the Group's results as a whole. This applies equally to Group entities in the Netherlands and the Group entities abroad. This is why the Supervisory Board has endorsed the Executive Board's decision to organisationally combine, as part of Mars, various entities in the international business with the domestic business and to introduce a Group-wide culture programme. The Group-wide culture programme focuses primarily on the attitudes and conduct with which the organisational changes entailed by Vision 2016 and Mars are implemented. During every meeting in 2014, the Supervisory Board discussed the progress of the Vision 2016 and MARS programmes as well as the culture programme with the Executive Board. The Supervisory Board expects this programme, in combination with closer cooperation between the local Rabobanks, Rabobank Nederland and Wholesale, Rural & Retail to contribute to customers' experience of Rabobank as a better bank. The culture programme has been given the name 'Culture Collective'. The Supervisory Board arranged to receive detailed information about the culture programme, for instance in a continuing professional education session.

Assigned compliance duties

Rabobank is required, at present and in the future, as are all other financial institutions, to comply with laws and regulations. Each local Rabobank has its own separate banking licence with the associated requirements. Rabobank Nederland exercises assigned compliance duties in respect of the local Rabobanks. This means that Rabobank Nederland exercises supervision over the local Rabobanks with regard to controlled and ethical operations, outsourcing, solvency and liquidity. This duty derives from the Dutch Financial Supervision Act and implements the supervision that would otherwise be exercised by De Nederlandsche Bank N.V. (DNB) with regard to the local Rabobanks. In addition, Rabobank Nederland performs monitoring and other duties with regard to the local Rabobanks pursuant to the collective licence regime in the context of complying with the conduct supervision that is supervised by the Netherlands Authority for the Financial Markets (AFM).

It has taken a great deal of effort in the past few years for the organisation to ensure that each separate bank complies with all requirements arising from the banking licence. Although the aim, in providing direction to and holding accountable the local Rabobanks on the basis of the prudential supervision role, is to maintain a balance between commerce, efficiency and risk/

compliance (CER), the focus on commercial and customer interests within that balance is subject to pressure in practice. That represents a dilemma, since customers' interests deserve the greatest possible attention. The Supervisory Board endorsed the wish of the Executive Board to refocus the bank to a greater extent on commerce, innovation and customer requirements, subject, of course, to the proviso that its own house is in order.

The Supervisory Board is aware that the role of assigned supervisor in the cooperative context in combination with the role of providing support for the local Rabobanks is not always easy and calls on all parties involved to switch appropriately between these roles. In 2014, the local Rabobanks and Rabobank Nederland affirmed to each other that the present governance insufficiently supports the external, customer-focused ambition of Rabobank and its role in society. There is an excessive inward-looking orientation as a result of which the focus on the customer is insufficient, external developments are absorbed at a slow pace and costs are irresponsibly high. These issues are part of the debates on cooperative governance referred to above.

Financial statements for 2013, interim report 2014 and budget for 2015

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 2013 of Rabobank Nederland and of Rabobank Group, and the other information added thereto. The Supervisory Board discussed these documents with the Executive Board, the internal auditor and Ernst & Young Accountants LLP (EY), the external auditors, and took note of the unqualified external auditor's report that EY issued on the financial statements 2013. The management letter, including the management response, was also discussed at length. Topics discussed included the development of the capital ratios and the liquidity position, bad debt costs, real estate valuations, new IFRS rules and divestments and capital expenditure. In August 2014, the Supervisory Board discussed the interim report 2014 of Rabobank Group, as part of which it considered matters including the bad debt costs, in particular for commercial real estate. In the autumn of 2014, Rabobank Group's budget for 2015 was discussed and approved by the Supervisory Board. In a two-day off-site meeting in the autumn of 2014, the Supervisory Board and the Executive Board discussed the effects of Vision 2016, the cost structure of Rabobank Nederland and the development of profitable, future-proof earnings models in depth. Approval was also given in the latter part of the year to the funding mandate 2015.

Asset Quality Review and stress test

The large-scale assessment by the ECB of over 120 of the largest European banks was completed in 2014. The banks concerned, including Rabobank, were subjected, as part of the transition to European banking supervision, to a stress test and an Asset Quality Review (AQR). In the course of the year, the Supervisory Board very closely followed the progress of this project and received information on the results on 26 October 2014. In the stress test, Rabobank's capital buffer in the adverse scenario was found to be 8.4%, compared to an ECB requirement of 5.5%.

Situation in the financial markets and the position of Rabobank

The Supervisory Board closely monitored the situation in the financial markets and its consequences for Rabobank in 2014. This included a consideration of the capital ratio of Rabobank Group and the Supervisory Board received information on the achievement of the funding goals. The development of the rating, including the downgrade by S&P, was also discussed.

Sustainably successful together and Banking for Food

The Supervisory Board places great importance on Rabobank's focus on its members, customers and society, and is thoroughly aware of the responsibility that a conscientious implementation of these core values entails. This concerns sustainable developments in the widest sense. During the year under review, the Cooperative Affairs Committee considered a range of cooperative and sustainability-focused topics on which it exchanged views with and issued advice to the Executive Board. The full Supervisory Board likewise discussed these topics with the Executive Board on various occasions. In particular, in August 2014 the Supervisory Board gave its approval to the sustainability strategy 'Sustainably successful together'. The Supervisory Board also discussed Banking for Food with the Executive Board in 2014. That is Rabobank's vision of food security worldwide and the bank's role in it. Banking for Food is currently being worked out in greater detail.

Strategic developments

In December 2013, the Executive Board, with the approval of the Supervisory Board, sold the majority of Rabobank's shareholding in Bank BGZ to BNP Paribas Group. The reasons for the sale were the required scale of Bank BGZ, as well as the interest from other parties in expanding their activities in Poland and our growing focus on food & agri. Since December 2013, a number of developments have occurred that necessitated changing some elements of the transaction. The final sales transaction also includes the activities of Rabobank Polska, which were integrated in Bank BGZ in June 2014. At the end of 2014, the Supervisory Board and the Executive Board held a two-day meeting to share initial views of the future to prepare for the Strategic Framework 2017-2020.

ICT

The Supervisory Board exchanged views with the Executive Board on such issues as the stability of the IT infrastructure, the progress of IT development in the context of Vision 2016 and other major IT projects, information security, logical access control, combating cybercrime, business continuity management and synergy between the systems of the various Group entities. The progress of the migration to the new European payment standard SEPA (Single Euro Payments Area) was a recurring item on the agendas of the Supervisory Board, the Risk Committee and the Audit Committee in 2014. The Supervisory Board discussed an analysis of the network disruptions that Rabobank experienced in July 2014 with the Executive Board and received information on the improvement measures in this area.

Employers' role

On the advice of the Appointments Committee, the Supervisory Board appointed Mr van Nieuwenhuizen as a member of the Executive Board with effect from 24 March 2014. Jan van Nieuwenhuizen has many years of international banking experience and can look back on a versatile career within the Rabobank organisation. The Supervisory Board believes that he will contribute the right expertise and qualities to the Executive Board. On 1 July 2014, Mr Draijer entered the employment of Rabobank. After having prepared intensely for his role during a three-month period, on 1 October 2014 he took over as Chairman from Mr Minderhoud, who had served as Chairman of the Executive Board since 29 October 2013. The Supervisory Board proceeded – on the advice of the Appointments Committee – with this appointment because Wiebe Draijer as a versatile Chairman of the Executive Board with business and strategic expertise and social leadership is the right man in the right place, given the challenges facing the Rabobank organisation at present and in the near future. Wiebe Draijer has a proven ability, on the basis of unifying leadership, to create bridges between different parties with divergent interests. The Supervisory Board is very grateful that Rinus Minderhoud was prepared to serve as Chairman of the Executive Board as of 29 October 2013, after the then Executive Board

Chairman Piet Moerland had stepped down in response to the Libor case. Rinus Minderhoud immediately steered Rabobank into calmer waters and led Rabobank during a turbulent and difficult period. The Supervisory Board lauds the ceaseless energy he displayed as Chairman of the Executive Board, and is grateful for the way in which he operated in this difficult role and discharged his responsibilities.

Talent management and management development

The Supervisory Board has started to focus more pro-actively on the succession planning for the Executive Board. This is based on the principle that the Executive Board will take the lead in systematically following, evaluating and developing the bank's talent. At the end of 2013, an assessment was performed of the top management of the Rabobank Group. At the start of 2014, this assessment was discussed in depth with the Executive Board, partly with a view to succession planning. This was followed in 2014 by an assessment of the entire senior management. The Supervisory Board and the Appointments Committee periodically monitor talent management. The Supervisory Board considered various appointments-related issues in 2014, including some personnel changes in the higher senior management.

The Supervisory Board places great importance on gender diversity and did its utmost to put this into practice. In 2014, this did not lead to a proposal to appoint a female candidate to the Executive Board or the Supervisory Board. Nonetheless, the Supervisory Board will continue to endeavour to appoint female members in the future.

In 2014, the Supervisory Board started a more systematic approach to target setting for and the evaluation of members of the Executive Board as an instrument for systematically tracking and improving the targets, performance and (personal) development of members of the Executive Board.

Remuneration policy

Rabobank pursues a prudent, restrained and sustainable remuneration policy. The Supervisory Board approves the remuneration policy for senior management and supervises its execution by the Executive Board. In addition, the remuneration position of the members of the Executive Board is benchmarked every year. On the advice of the Remuneration Committee, the Supervisory Board approved a limited number of material exceptions to the Group Remuneration Policy in 2014, which do not relate to the Executive Board. These exceptions were partly proposed on the basis of divergent local legislation and regulations and/or market practice. The Supervisory Board also considered the highest remuneration levels in the past year via a Group-wide report on remuneration and the annual summary of variable remuneration for Identified Staff. Detailed information on the Group Remuneration Policy and the remuneration of the Executive Board and the Supervisory Board is available in the chapter on Remuneration elsewhere in this Annual Report and in the note on Remuneration of the Supervisory Board and Executive Board in the financial statements.

Procedures of the Supervisory Board of Rabobank Nederland

The members of the Supervisory Board in office on 1 March 2014 are listed in the Management chapter in this Annual Report. The profile for the Supervisory Board has been posted on www.rabobank.com. The chapter on Corporate governance in this Annual Report 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 institutions, taking account of the interests of stakeholders and aspects of corporate social responsibility that are relevant to Rabobank.

Remuneration of the Supervisory Board

The regular duties of the members of the Supervisory Board consist of exercising supervision, providing advice and acting in the role of employer. Besides attending the meetings of the Supervisory Board, attending the meetings of the various committees of the Supervisory Board (Audit Committee, Risk Committee, Cooperative Affairs Committee, Appointments Committee, Remuneration Committee and, in certain cases, the Appeals Committee), its duties also encompass attending consultative meetings of the Works Council as observer on a rotating basis, attending, on a quarterly basis (one or more) Regional Assembly meetings and meetings of the Central Delegates Assembly (CDA), maintaining contacts with local Rabobanks and attending the Annual General Meeting. Additional time needs to be committed to meeting the requirements of continuing professional education. The average time spent by members of the Supervisory Board of Rabobank Nederland, including the various committees, is approximately as follows:

- 3 to 4 days a week for the Chairman;
- 1 to 2 days a week for the Deputy Chairman; and
- 1 to 1.5 days a week for a member.

Within the total fee received by the Chairman of the Supervisory Board, one part relates to the role of Chairman of the Supervisory Board and participating in the various committees of the Supervisory Board. Another part of this fee relates to ensuring the effective representation of cooperative members' influence that is unique to Rabobank and derives from its cooperative structure. These duties include, for instance, acting as Chairman for the Central Delegates Assembly. More information on the overall fees received by the Supervisory Board is available in the chapter on Remuneration in this Annual Report.

Self-assessment

The Supervisory Board reviews its own performance and that of the separate committees on a regular basis. 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, at vacancies, supplemented through new appointments as appropriate. In the first quarter of 2014, the Supervisory Board arranged for a comprehensive independent assessment of its performance by an external party. The commitment of each member of the Supervisory Board, the culture within the Board, the attitude and conduct of the individual members and the relationship between the Supervisory Board and the Executive Board were part of this assessment. The assessment identified several themes on which the Supervisory Board intends to focus more closely. They included acting in the role of employer (target setting, monitoring and evaluation of the members of the Executive Board, succession planning, management development and talent development), conduct and culture, strategy development, agenda management and processes concerning the Supervisory Board. This has led, for instance, to the application of a more stringent system of target setting, monitoring and evaluation of the members of the Executive Board and holding external assessments for the entire senior management.

Appointments and re-appointments to the Supervisory Board and succession planning

Appointments and re-appointments to the Supervisory Board are made by the General Meeting on a nomination by the Supervisory Board preceded by a recommendation of the General Meeting, the Executive Board and the Works Council and following advice from the Central Delegates Assembly.

In accordance with the retirement schedule, Mr A.J.A.M. Vermeer, Mrs L.O. Fresco and Mr S.L.J. Graafsma were each due to retire by rotation as members of the Supervisory Board in 2014. Mr Graafsma was prepared to accept a new term in office as a member of the Supervisory Board. Having reached the maximum twelve-year term for holding office, Mr Vermeer was not available for re-appointment. Mrs Fresco was not available for re-appointment owing to her appointment as President of the Executive Board of Wageningen UR University with effect from 1 July 2014.

On 19 June 2014, the General Meeting of Rabobank Nederland resolved to re-appoint Mr Graafsma as a member of the Supervisory Board of Rabobank Nederland.

The Supervisory Board wishes to express its gratitude to Mr Vermeer for the significant role he played for Rabobank as a very valuable and highly skilled ambassador for cooperative entrepreneurship and the agricultural sector. In addition, Mr Vermeer, as a particularly talented and committed director made an exceptional contribution over a period of many decades to the growth and prosperity of Rabobank, both at local Rabobanks and Rabobank Nederland. Our gratitude is also due to Mrs Fresco. During a period of eight years, her ample supervisory and management experience proved to be very valuable. Partly in her role as a member of the Cooperative Affairs Committee, Mrs Fresco made a major contribution in areas including the development of the Food & Agri Principles and the food & agri strategy. The Supervisory Board wishes to express its gratitude to Mrs Fresco for her very valuable contribution to the performance of the Supervisory Board in the past few years.

In 2014, the Supervisory Board updated the succession plan for the Board. This plan describes the policy the Supervisory Board aims to be guided by in determining the current and future composition of the Supervisory Board. The areas of knowledge and experience and other qualities and competences that are considered to be necessary to operate optimally as a collective Supervisory Board will be assessed at the time of each appointment or reappointment.

With the retirement in 2013 of Mr Koopmans, Mr Tielen and Mr de Bruijn and in 2014 and of Mrs Fresco and Mr Vermeer in 2014, the number of members of the Supervisory Board with knowledge in the field of the cooperative has fallen sharply. Therefore the Supervisory Board gave priority in 2014 to filling the vacancy for a member of the Supervisory Board with a cooperative background, combined with experience of operating in a complex social environment. To that end, the Supervisory Board resolved to nominate Mr A.A.J.M. (Arian) Kamp for appointment as a member of the Supervisory Board of Rabobank Nederland. Mr Kamp has already been actively involved in the Rabobank organisation for fourteen years as a local director and supervisor. With his previous positions as a member of Supervisory Boards of local Rabobanks, but also as local committee leader and member of the Central Delegates Assembly, he has a solid grounding in the world of banking. Owing to his cooperative mindset and his wide experience within the Rabobank organisation, Mr Kamp has exactly the right profile to operate on the axis Rabobank Nederland – local Rabobanks and to constructively combine the interests of the local Rabobanks with those of Rabobank Group as a whole. At an additional General Meeting on 3 December 2014, Mr Kamp was appointed as a member of the Supervisory Board of Rabobank Nederland.

Contacts with stakeholders

In performing its duties, the Supervisory Board focuses on the interest of the Rabobank Group, with a view to which the Board judiciously balances the interests of the parties involved, including customers, members, employees and society at large. The Chairman of the Supervisory Board is in close contact with the Chairman of the Executive Board and consults on a monthly basis with the internal auditor and the Group Compliance Officer. The Chairman of the Supervisory Board, the Chairman of the Audit Committee, the external auditor and the internal auditor meet at least four times a year. Several times a year, the Supervisory Board receives information on relevant topics from directors and experts of Rabobank Nederland during committee meetings, other meetings and continuing professional education sessions. During the year under review, the members of the Supervisory Board attended, as observers, meetings of Rabobank Nederland's Works Council and of the Group Works Council of Member Banks on a rotating basis. 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. The Chairman of the Supervisory Board is also the Technical Chairman of the Central Delegates Assembly, the Emergency Affairs Committee of the Central Delegates Assembly and of the General Meeting of Rabobank Nederland. In addition, the Chairman of the Supervisory Board attends the meetings of the Coordination Committee and the Confidential Committee of the Central Delegates Assembly. The members of the Supervisory Board also attend, as appropriate, conferences and information sessions for members of the local board of directors and Supervisory Boards of the local Rabobanks or, on invitation, meetings of local Rabobanks for their members. The Supervisory Board or its Chairman, alone or together with the Executive Board or its Chairman, as appropriate, maintains contact with external regulators, such as the Dutch Central Bank DNB, the Netherlands Authority for the Financial Markets AFM and the Joint Supervisory Team (of the ECB and DNB). By doing so, the Supervisory Board keeps in touch with developments at key internal and external stakeholders.

Meetings

Meetings of the Supervisory Board

The Supervisory Board met seventeen times in 2014. This comprised both regular (nine times) and additional (eight times) meetings scheduled. The meetings were also attended by the Executive Board. The meetings were often followed by consultation of the Supervisory Board in general committee. In addition, the full Supervisory Board met twice, without the Executive Board being present, with representatives of DNB as part of the annual policy consultation and the feedback of the results of the DNB risk analysis. In 2014, no member was repeatedly absent from regular scheduled meetings of the Supervisory Board or its committees.

Committee meetings

The Supervisory Board has various committees. The Audit Committee and the Risk Committee each met seven times. The Cooperative Affairs Committee met four times in the reporting year, the Appointment Committee five times and the Remuneration Committee six times. No matters were referred to the Appeals Committee in 2014. Several members of the Supervisory Board served on temporary committees in 2014.



Dilemmas facing the Supervisory Board

Balance between supervisory role, advisory role and role as employer

Owing to increased legislation and regulation, the Supervisory Board is devoting ever more time to oversight activities. As a result, its statutory duty 'to supervise the policies pursued by the Executive Board and the general course of affairs at Rabobank Nederland and its affiliated institutions' is increasingly at the forefront. That also represents one of the dilemmas facing the Supervisory Board. How can a better balance be achieved between its supervisory role, its advisory role and its role as an employer if the supervisory role continually claims more time and effort? The Supervisory Board's advisory role and its role as an employer are after all at least as important for the continuity of the enterprise. A multi-day off-site meeting with the Executive Board, such as that held at the end of October 2014, gave the Supervisory Board an opportunity to reflect extensively with the Executive Board on the future of Rabobank and its strategy. In its regular meetings, the Supervisory Board also wants to focus to a greater extent on

topics such as commerce, innovation and customer needs. The way in which the Supervisory Board also wishes to focus more clearly on the role as employer is described elsewhere in this chapter. Finding an appropriate balance between the three roles, while keeping those roles appropriately separate and maintaining its effectiveness, remains an ongoing priority for the Supervisory Board.

Gender diversity

A second dilemma that was considered during the off-site meeting at the end of October 2014 was diversity. The Supervisory Board places great importance on gender diversity and did its utmost to put this into practice in appointments on the Supervisory Board and Executive Board in 2014. This did not lead to appointments of female candidates in 2014. Nonetheless, the Supervisory Board will continue to endeavour to appoint more female members in the future. This topic will continue to be high on the agenda during future meetings of the Supervisory Board in 2015.

Off-site meetings

The Supervisory Board held two off-site meetings in 2014. The first of these was devoted to discussing the evaluation of the Supervisory Board's performance in 2013. A two-day joint off-site meeting with the Executive Board focused on matters such as strategy and cooperative governance. In addition, the performance of the Supervisory Board, the performance of the Executive Board in its new composition, as well as relations between the Executive Board and the Supervisory Board were also discussed at length.

Sessions for continuing professional education and other training initiatives

The members of the Supervisory Board met five times in 2014 for sessions for continuing professional education. The first session concerned talent management and management development. Whereas the basic principle is that the Executive Board takes the lead in systematically following, evaluating and developing talent at the bank, the Supervisory Board wishes, on the basis of its role as employer, to more pro-actively form an impression of the

succession planning for the Executive Board and the layers directly below it. Therefore the assessments that were carried out of the top management of Rabobank Group at the end of 2013 were also discussed in this session. In the second session, the Supervisory Board received information on the culture programme of Rabobank. The structure of the culture programme, the results of the culture surveys within Rabobank, the phasing and contents of the culture programme and the interconnections between the culture programme and other ongoing programmes were discussed in depth. The third education session focused in detail on the topic of capital policy, the impact of CRD IV and Basel III and the introduction of the Single Supervisory Mechanism. This was followed by a continuing professional education session on the topic of reward. Its aim was to provide a framework of terms with which current and future issues in the area of remuneration policy can be approached. The final session of 2014 concerned innovation in the financial industry. The aim of the programme was to gain an understanding of innovations in the financial domain and of the impact they have on banking. Rabobank's approach to innovation was also considered. As part of the continuing professional education of members of the Executive Board, a meeting was held at the start of June 2014 on the topic of ethics. The Supervisory Board received a standing invitation for this session. The aim of this educational programme was to provide a context and a framework of terms with which ethical issues can be approached.

As part of their continuing professional education, the members of the Audit Committee received information in 2014 on capita selecta of compliance topics. The options for monitoring customer conduct in (compliance) risk management, anti-corruption and privacy legislation were discussed. At the end of June 2014, the Risk Committee discussed developments in the real estate sector in the Netherlands, France and Germany, the question of how to contribute to eradicating malpractices in the real estate sector and the valuation of the commercial real estate portfolio in the light of the AQR.

Members:

S.L.J. Graafsma, *Chairman*
L.N. Degle, *Deputy Chairman*
C.H. van Dalen
W. Dekker
E.A.J. van de Merwe
A.J.A.M. Vermeer (*until 19 June 2014*)

Committees of the Supervisory Board

Audit Committee

This Committee helps the Supervisory Board prepare for its decision-making in relation to its supervision of the Executive Board on matters that are part mainly of the compliance function, the internal audit function and the external auditor: the internal risk management and control systems, the internal and external codes of conduct, the provision of financial information and compliance with and follow-up of recommendations and findings of the internal auditor and the external auditor, as well as compliance with legislation and regulations. The Audit Committee considered topics such as the annual report and financial statements for 2013 and the interim report 2014, including the half-yearly memorandum on the allowance for loan losses, the audit report, the financial statements, the annual and interim reports, the periodic 'in control'-update, the (progress report) management letter, the management response and the Pillar 3 report. Other documents considered by the Audit Committee were the periodic memorandum on the course of affairs, the half-yearly progress report on assigned compliance duties, the quarterly reports and various audit reports of Audit Rabobank Group, as well as the annual plan and the half-year reports of the Supervisory Directorate. In addition, the Audit Committee regularly received information on topics such as client centricity, customer integrity, privacy, logical access control and information security, SEPA and various compliance themes and supervision files. The Audit Committee also approved the revised Compliance Charter Rabobank Group. In addition, the Audit Committee periodically received information on the progress of the project State of the Art in Compliance.

Furthermore, the Audit Committee closely focused on the Asset Quality Review for commercial real estate, the progress on several points for follow-up in the management letter, the compliance implementation plan, progress reports on elements of Vision 2016, the half-yearly performance report of the former Rabobank International domain, now referred to as Wholesale, Rural & Retail, and preparations for the mandatory rotation of the external auditor. The Audit Committee has reviewed the budget application 2015 from Rabobank Nederland for Support of local Rabobanks in relation to Vision 2016 and Mars, as part of which it focused on cost trends, FTE reductions and the development of the programme portfolio. The Audit Committee also discussed Rabobank Group's budget for 2015. The Audit Committee approved the Audit Plan Rabobank Group 2015. The Audit Committee also met with the external auditor and the internal auditor without the Executive Board being present. The internal auditor, Audit Rabobank Group, has sufficient resources in the judgement of the Supervisory Board to adequately perform its duties.

Members:

E.A.J. van de Merwe, *Chairman*
L.N. Degle, *Deputy Chairman*
W. Dekker
S.L.J. Graafsma
R. Teerlink
C.P. Veerman

Risk Committee

The Risk Committee helps the Supervisory Board prepare for its decision-making in relation to its supervision of the Executive Board with regard to its risk policy, risk management and the associated risk profile. This includes the operation of the product approval process and the risks relating to the remuneration system of Rabobank Group. The Risk Committee also discusses the financing structure, the policy on capital adequacy and capital allocation, the liquidity and funding in the short and long terms in the light of the Group strategy and the defined risk policy. In 2014, the Risk Committee considered the risk-related documents and themes as described above. In addition, the Risk Committee discussed the Basel III migration plan, the development of the rating, the sale of Bank BGZ to BNP Paribas and the evaluation of acquisitions and participating interests. Furthermore, it discussed the monthly results and the risk sections in the memorandum on the course of affairs, as well as the periodic credit risk reports, and progress on SEPA. The Risk Committee considered Rabobank's solvency management plan. There was also a clear focus in the past year on the progress and outcomes of the comprehensive assessment: the AQR and the stress test. The Risk Committee adopted the Risk Charter Rabobank Group in 2014. The Risk Committee advised favourably on the funding mandate for 2014. The Risk Committee carried out preparatory work for the Supervisory Board for the approval of the modified risk appetite statement. Lastly, the Risk Committee discussed Rabobank's top risks in depth, partly by reference to the DNB risk analysis.

Members:

A.J.A.M. Vermeer, *Chairman (until 19 June 2014)*
C.P. Veerman, *Deputy Chairman (Chairman from 19 June 2014)*
I.P. Asscher-Vonk
W. Dekker
L.O. Fresco *(until 19 June 2014)*
R. Teerlink
A.A.J.M. Kamp *(from 3 December 2014)*

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 affairs 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 2014, the CAC discussed the renewal of cooperative governance several times. In addition, it extensively discussed the Sustainability Strategy 2020 with the topic 'Sustainably successful together'. The CAC also discussed Rabobank Group's new food and agri strategy, called Banking for Food and the progress of Vision 2016. Discussions were also devoted to the design and operation of Rabobank's Whistleblowers Regulation (in full: Rabobank Regulation for Internal Reporting of Abuses) and to Complaints management. The CAC also discussed the passages on sustainability in various reports and the Annual Report.

Members:

W. Dekker, *Chairman*
C.H. van Dalen, *Deputy Chairman*
I.P. Asscher-Vonk
L.O. Fresco (*until 19 June 2014*)
A.A.J.M. Kamp (*from 3 December 2014*)
A.J.A.M. Vermeer (*until 19 June 2014*)

Members:

I.P. Asscher-Vonk, *Chairman until 24 September 2014, member thereafter*
C.H. van Dalen, *member until 24 September 2014, Chairman thereafter*
W. Dekker
L.O. Fresco (*until 19 June 2014*)
A.A.J.M. Kamp (*from 3 December 2014*)
A.J.A.M. Vermeer (*until 19 June 2014*)

Members:

I.P. Asscher-Vonk, *Chairman*
S.L.J. Graafsma
A.A.J.M. Kamp (*from 3 December 2014*)

Appointment Committee

The Appointment Committee helps the Supervisory Board prepare for its decision-making in relation to the composition of, and appointments and re-appointments to, the Supervisory Board and the Executive Board. The Appointment Committee advised, on the basis of succession planning for the Supervisory Board prepared for that purpose and assessments of the senior executive management, on the personnel changes in the Supervisory Board and Executive Board respectively in 2014. The Committee also advised the Supervisory Board on the approval of a number of senior management appointments at Rabobank Nederland and its affiliated institutions. As part of talent management, the Committee also addressed the subject of gender diversity.

Remuneration Committee

The Remuneration Committee helps the Supervisory Board prepare for its decision-making in relation to the remuneration of the members of the Executive Board and the remuneration policy for members of senior management. It also keeps close track of remuneration policies pursued in the external market and advises the Supervisory Board on how to apply the guidelines for remuneration policy in the banking sector. In 2014, the Remuneration Committee considered the performance targets for 2014 for Identified Staff. Please refer to the Remuneration chapter in this Annual Report for an explanation of this term. The Committee carried out preparatory work for the Supervisory Board with regard to the annually available aggregate variable remuneration with an underlying risk assessment for the Rabobank Group and for the individual variable remuneration of employees belonging to the Identified Staff of Rabobank Group. The Remuneration Committee advised the Supervisory Board on proposals for material exceptions to the Group Remuneration Policy. The Remuneration Committee also issued advice on modifications of the terms of employment policy for the senior management and the Executive Board.

Appeals Committee

The Appeals Committee acts as an advisory appellate body in disputes between local Rabobanks or between one or more local Rabobanks and Rabobank Nederland. No disputes were referred to the Appeals Committee in 2014.

Proposal to the General Meeting and conclusion

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 2014 of Rabobank Nederland and of Rabobank Group, and the other information added thereto. The Supervisory Board discussed these documents with the Executive Board, the internal auditor and Ernst & Young Accountants LLP (EY), the external auditors, and took note of the unqualified external auditor's report that EY issued on the financial statements 2014. The Supervisory Board would ask the General Meeting of Rabobank Nederland to adopt the financial statements 2014 and approve the proposed profit appropriation.

The Supervisory Board wishes to thank all employees for the commitment they showed and results they achieved in 2014 and will continue to do its utmost in 2015 to regain the trust of all stakeholders in Rabobank.

Utrecht, 31 March 2015
The Supervisory Board

Corporate governance

Rabobank Group is comprised of autonomous local Rabobanks; their central organisation, Rabobank Nederland, and a number of specialised subsidiaries. As a bank that uses its customers' interests as the basis for its day-to-day actions, Rabobank aims to provide the most appropriate financial services for all. Its structure as a cooperative organisation facilitates a long-term approach to customer relationships, with Rabobank looking to invest sustainably in direct involvement with its customers and their environment.

Review of corporate governance structure

An internal review of the existing governance structure of Rabobank was started in 2014. This was prompted by the finding that changing regulations, in combination with a significantly changing market environment and the introduction of European banking supervision, justify a critical reassessment of the corporate governance in place at the bank. This internal review is still in progress at the time of writing, and accordingly no factual results are known as yet. The contents of this chapter therefore reflect the actual situation of the governance structure as it continues to exist at the start of 2015. However, Rabobank does not exclude the possibility that its governance structure may undergo changes in the period ahead. As soon as more information is available on this, this information will of course be shared with all internal and external stakeholders of Rabobank.

Corporate governance at a glance

The local Rabobanks are Rabobank's core entity – they are autonomous cooperatives rooted in their local communities, whose aim is to contribute to economic development in their service areas. The local Rabobanks, for their part, are members of and shareholders in the cooperative Rabobank Nederland. The local Rabobanks are divided across twelve regions, known as Regional Delegates Assemblies. Each of these Regional Delegates Assemblies has a Board, whose members are also members of the Central Delegates Assembly. The latter is a body of Rabobank Nederland which plays a key role in policymaking. The members of the Central Delegates Assembly consist of the Regional Delegates Assembly Boards, the majority of whom are appointed by members of the local Rabobanks. The local Rabobanks collectively make up the General Meeting of Rabobank Nederland, whose responsibilities include appointing the members of the Rabobank Nederland Supervisory Board. 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

Although Rabobank Nederland, due to its cooperative structure, is not required to comply with the Dutch Corporate Governance Code, it does do so on a voluntary basis. It departs from the Code in just several minor areas, partly on account of its cooperative structure. For additional information, please refer to www.rabobank.com.

Dutch Banking Code

The Banking Code for Dutch banks was adopted by the Board of the Dutch Banking Association in 2009, expanding on a report titled 'Naar herstel van vertrouwen' (Restoring trust) authored by the Advisory Committee on the Future of Banks. Rabobank Nederland's governance is in compliance with the Dutch Banking Code. For additional information about Rabobank's compliance with the Banking Code, please refer to the chapter Dutch Banking Code in this Annual Report and a separate appendix to this Annual Report on www.rabobank.com.

Rabobank Group Code of Conduct

Rabobank Group's values and standards are determined by its four core values: respect, integrity, professionalism and sustainability. These core values are based on its mission and Mission Statement. The Rabobank Group Code of Conduct expands on the core values and contains the basic principles for the behaviour of all Rabobank Group employees. All Group entities use this code or an equivalent based on the code. Employees are regularly reminded of the core values and the Rabobank Group Code of Conduct. In order to enable our people to act on the basis of the Rabobank core values and the applicable theoretical frameworks (the Mission Statement, the Rabobank Group Code of Conduct and specific codes of ethics), they have access to a number of practical tools and resources, including training courses and the opportunity to discuss business dilemmas. A copy of the Code of Conduct is distributed to new employees, while all employees are encouraged to use the Code as a reference when faced with business dilemmas. The core values and the Rabobank Group Code of Conduct are integrated into HR tools.

Part of this ongoing focus on the Rabobank Group Code of Conduct and dealing with dilemmas is the oath for the moral and ethical conduct declaration ('bankers' oath'). This oath was introduced on 1 January 2013 and taken by the members of the Rabobank Nederland Executive Board and Supervisory Board as well as by the members of the local boards of directors and Supervisory Boards of the local Rabobanks and the Dutch banking subsidiaries of Rabobank Nederland. In 2015, the bankers' oath will be taken by all employees. [The Mission Statement](#) and the Rabobank Group [Code of Conduct](#) are available on www.rabobank.com.

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 and their members are locally-based customers. These local Rabobanks, their members and their customers make up Rabobank Group's cooperative core business. Being at the heart of society, they are involved, nearby and leading in their service offering.

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 through their banks' Members council and General Meeting, for instance. An active and open dialogue with customers and members via the Members Council and several panels helps to stay attuned to the members' needs and keep a connection with the local service areas.

Local board of directors

Every local Rabobank has a local board of directors consisting of banking professionals, who collectively conduct the bank's management. The local board of directors is appointed by the local Supervisory Board, subject to the approval of Rabobank Nederland. The local board of directors operates under the supervision of the local Supervisory Board. The local board of directors has a balanced composition in order to make its management more effective based on complementarity.

Supervisory Board

The members of the local Supervisory Board are nominated by the local Supervisory Board and appointed by the Members Council, subject to the approval of Rabobank Nederland. One of the duties of the local Supervisory Board is to supervise the local Rabobank. This includes the local board of directors' 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 Board. The local Supervisory Board also monitors compliance with internal and external rules and regulations. The local Supervisory Board is responsible for appointing, evaluating, suspending and removing the members of the local board of directors. Finally, the local Supervisory Board and local board of directors of the local Rabobank jointly represent the local Rabobank as member of Rabobank Nederland in the Regional Delegates Assembly.

The local Supervisory Board is comprised of people with a variety of experience, competencies and backgrounds. This ensures that checks and balances are maintained and creates a sound balance between banking professionals and professionals from other backgrounds. Rabobank Nederland offers local supervisory directors a continuous professional education programme that allows them to improve their knowledge of the organisation, maintain their professionalism and share their experiences.

Local Supervisory Boards are accountable to the Members Council for their supervision of the local board of directors' management.

Members council

Customers 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 customers. They are familiar with the members' and customers' wishes and considerations, and know all about the local service area and (local) public opinion.

Each local Rabobank has a Members Council, which is meant to provide a firm and structural footing for member control and member influence. A Members 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 local board of directors asks the Members Council to assess its policies in order to tailor its service offering as much as possible. The Members Council influences and monitors the direction of the local Rabobank and forms the link towards the bank's broad member base.

The Members Council typically adopts the financial statements and appoints the members of the local Supervisory Board. Members 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

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

Works Council

Based on the Dutch Works Council Act, each local Rabobank has its own Works Council to discuss representation issues affecting that particular bank. The local board of directors 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 to advise, 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 local board of directors 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 Board or a delegation of this Board is also represented in these Meetings. The local Supervisory Board is also present during Consultative Meetings addressing important consultative issues, or a planned appointment or removal of the chairman of the local board of directors.

Group Works Council of local Rabobanks

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 all the local Rabobanks' 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 advice 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 advise 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 established to support the local Rabobanks' banking business. It initiates and develops policies and products in many different areas, such as lending, payments, securities services, customer service, marketing, distribution and human resource policy. These policies are developed in close dialogue with representatives of local Rabobanks.

Besides its supporting role to the local Rabobanks, Rabobank Nederland also fulfils several other roles. For example, it is a shareholder in several specialised companies, including DLL and Rabo Real Estate Group. Rabobank Nederland is also active in the global financial markets and

executes the Rabobank Group's money and capital market transactions. In addition, Rabobank Nederland serves as the holding company of various specialised subsidiaries and also operates its own international banking business.

Rabobank Nederland supervises the local Rabobanks pursuant to the Dutch Financial Supervision Act – this power is provided for in the Articles of Association of Rabobank Nederland and the local Rabobanks. For example, Rabobank Nederland supervises the local Rabobanks in the areas of prudent and ethical business operations, outsourcing, solvency and liquidity. Additionally, under the Dutch Financial Supervision Act, Rabobank Nederland has been designated by the Ministry of Finance as the holder of a collective licence with respect to business conduct supervision. This means that the Netherlands Authority for the Financial Markets (AFM) is responsible for supervising the business conduct of local Rabobanks through Rabobank Nederland. The cooperative local Rabobanks are also members of the cooperative Rabobank Nederland, which gives them an important role in ensuring the proper governance of Rabobank Nederland. A key element in this respect is the open and transparent culture, with clear accountability in terms of management, supervision, and the assessment of both. The influence and say of the local Rabobanks is embodied in Rabobank Nederland's two bodies: the Central Delegates Assembly and the General Meeting.

Executive Board

The Executive Board of Rabobank Nederland is responsible for managing Rabobank Nederland. This includes responsibility for defining and achieving the targets of Rabobank 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 institutions, 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 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 form and 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 professional education programme that is specifically tailored to their needs. The Supervisory Board periodically assesses the performance of the Executive Board, which may in some cases result in appropriate measures being taken.

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

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 institutions. 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 institutions.

The Supervisory Board evaluates whether enough consideration is given to the interests of all stakeholders of Rabobank Nederland and its affiliated institutions.

Key decisions of the Executive Board are subject to the approval of the Supervisory Board, including strategic decisions that should result in the achievement of targets and the preconditions that apply with respect to these targets, for example with regard to financial risks and the relevant aspects of sustainable business, along with decisions regarding the annual adoption of the policy plans, the budget, and the operational and financial targets. As well as playing a key role in the supervision of risk management, the Supervisory Board also has an important responsibility in supervising the Group Remuneration Policy.

Candidates for the position of Supervisory Board member can be nominated by the Supervisory Board following a recommendation by the Executive Board, the Rabobank Nederland Works Council or the General Meeting, and following advice by the Central Delegates Assembly. The General Meeting of Rabobank Nederland appoints the members of the Supervisory Board on the nomination of same and after obtaining permission from the Dutch Central Bank. 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 professional education (PE) programme. The Committee on Confidential Matters of the Central Delegates Assembly sets the remuneration of the Supervisory Board members.

The Supervisory Board incorporates six committees which perform preparatory and advisory duties on behalf of the Supervisory Board itself, namely the Audit Committee, the Risk Committee, the Cooperative Affairs 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 majority of the members of the Central Delegates Assembly are appointed – through the Regional Delegates Assembly Boards – by members of the local Rabobanks as their representatives at the local and collective levels. 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 policymaking process of the Rabobank organisation.

Other issues besides policymaking 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.
- 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 conducted 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 advises the Executive Board on behalf of the Central Delegates Assembly on urgent, price-sensitive or confidential cases – primarily on 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.

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 Dutch Works Council Act 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, the Dutch Working Conditions Act 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 Council 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 fulfil its duties. In addition to the right to be informed, the Works Council's rights include the right to advise, the right of consent and the right of initiative.

European Works Council

Rabobank has 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 aim of achieving an open, transparent culture of accountability in respect of policies and supervision, and keeping pace with leading international standards.

In this context, Rabobank Group has voluntarily implemented internal financial reporting controls in a manner that is similar to how US-registered companies tend to apply SarbanesOxley 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 supervision.

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 Organisations 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 Banking Code 2010 is a form of self-regulation, which came about based on the report of the Advisory Committee on the Future of Banks. The main focus of the principles in this bank-specific code is on strengthening the governance within banks, risk management, audit and the remuneration policy.

A new Banking Code was presented in October 2014, as part of the Future-oriented Banking package. The updated Banking Code – in conjunction with the Social Charter and the introduction of the bankers' oath, rules of conduct and disciplinary rules – is designed to make a major contribution to public trust in banks within society and their role in society. The principles from the 'old' code that have already been embodied in legislation and regulations are not repeated in the new Banking Code. The banks, and therefore also Rabobank, will continue to comply with these national and international regulations as a matter of course. The updated Banking Code became effective on 1 January 2015.

This chapter looks at the context in which the provisions of the current Banking Code have been applied in 2014, and briefly describes how the provisions have been implemented. Compliance by Rabobank with the provisions of the Banking Code is based on the 'comply or explain' principle. Further information concerning the particulars of each provision can be found in the appendix 'Compliance with the Banking Code' to this Annual Report that is available on www.rabobank.com.

Scope of Dutch Banking Code

Local Rabobanks

The local Rabobanks occupy a special position in the Banking Code, as they are not required to apply the Code on an individual basis. Specifically, this means that the principles in sections 1, 2 and 3 (principle of comply or explain, supervisory board and executive board) do not apply to the individual local Rabobanks. 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 local board of directors and local Supervisory Board. Chapters 4, 5 and 6 (risk management, audit and remuneration policy) have been applied indirectly to individual local Rabobanks in the form of Group-wide policy.

Subsidiaries and other group entities

The Banking Code applies only to banks with a registered office in the Netherlands. Within Rabobank, this includes only FGH Bank (part of Rabo Real Estate Group) and DLL. Rabo Real Estate Group reports separately on the application of the Banking Code on its

website. As DLL does not publish an annual report of its own, reporting on the application of the Banking Code at DLL has been consolidated in this Annual Report. Considering the Group-wide policy on risk management, audit and remuneration, DLL complies in full with the relevant provisions of the Banking Code. The composition and modus operandi of the Supervisory Board of DLL reflect the fact that DLL is a wholly owned subsidiary of Rabobank Nederland. Where the Banking Code refers to the Executive Board and the Supervisory Board, this accordingly relates to the bodies of Rabobank Nederland and therefore not to the Executive Board and Supervisory Board of DLL.

Rabobank: customer interests and risk management as guiding principles

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

Client centricity

Rabobank places customer interests at the heart of its service provision to its customers. 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 Mission Statement. Rabobank has a cooperative structure with autonomous banks. As every local Rabobank has established a Members Council, customers have influence and a voice regarding the course of the Local Rabobank. The central policy that is proposed and implemented by Rabobank Nederland is only implemented after being approved by the permanent representatives of the local Supervisory Boards and the local boards of directors. Rabobank's unique cooperative governance is described in greater detail in the chapter on Corporate Governance.

The line organisation has been tasked with treating customers fairly. A steering committee monitors whether customers' interests are continually well served. Monitoring is done by reference to a number of key principles. The principles for client centricity were redefined in 2014 and correlated to the ambitions of the line organisation. The principles are as follows:

- Trust is the basis for everything we do. We win trust by delivering on our promises, by listening and improving and treating customer information with discretion. These values are part of our culture.
- Rabobank carries a clearly structured range of transparent products and services, with fair and transparent pricing. Only products that meet a need on the part of our customers are carried, and an assessment is carried out before customers purchase a product to ascertain whether that is in fact in their interest. Our customers should have to spend a minimum of time and effort as possible on day-to-day banking matters.
- Our advice is appropriate. Knowledgeable employees base their advice on the customer's financial position, risk appetite, and knowledge and experience. We use service channels that are tailored to the customers' preferences.
- Sustainable customer relationships call for customer-focused management, based on the customer's wishes and interests. We help our customers to gain financial insight, for now and for later.

Periodic management information is drawn up on the basis of these principles and is continually managed for improvement.

A balanced set of performance targets is formulated for everyone working at Rabobank, with 'treating customers fairly' and 'cooperation' as mandatory elements in the PM system. A sufficient focus on the customers' interests is a precondition for a favourable evaluation for employees. Rabobank uses management and compliance reports to monitor the quality of customer service and customer care on an ongoing basis.

Bankers' oath

The Bankers' oath has applied to members of executive boards and supervisory boards at financial enterprises since 1 January 2013. Since that date, all members of executive boards, boards of directors and supervisory boards in office at Rabobank, the local Rabobanks and the banking subsidiaries have taken the oath. Rabobank, together with the other Dutch banks, considers it to be important that everyone working in the Dutch banking sector performs their job in an ethical and conscientious manner. Therefore, all employees of Rabobank will take the oath in the first part of 2015 and comply to the disciplinary rules. Conduct rules that are derived from the oath or declaration stipulate how employees are required to conduct themselves in performing their job.

Continuing professional education

The members of the Executive Board and the Supervisory Board follow a number of half-day continuing professional education (PE) courses every year. The continuing professional 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 professional education courses are taught by internal or external experts. The document '[Compliance with the Banking Code](#)' relating to this Annual Report on the corporate website provides further information on this.

Duties and performance of the Supervisory Board

The chapter 'Report of the Supervisory Board' in this Annual Report provides detailed information on the activities of the Supervisory Board in 2014.

Risk management

Risk management is a central theme of the Dutch Banking Code. Rabobank Group's conservative risk appetite stems from the sound objectives of stability and solidity that Rabobank has pursued for many years. Rabobank was found to have controlled most of the risks effectively in the past few years. Rabobank is continuing its efforts to improve the quality of risk management practices and the risk culture within the organisation.

The revised risk management organisation became effective in 2014. In addition, top-down and bottom-up risk assessments and various stress tests were performed that included an integrated analysis of the different risk categories. Risk management is discussed in the chapter 'Rock-solid bank; risk management'.

Risk appetite

Rabobank has a tradition and a culture of prudent risk policy, as part of which it acts with a keen awareness of risks and uses its scarce resources with caution and due consideration. This prudence is applied both to the taking of strategic decisions as to their implementation. The risk strategy is aimed at continuity of the organisation.

Product approval

The product approval process is carried out at a Group entity level. All Group entities operate within the frameworks set in the Group-wide policy for Product Approval & Review. Products are tested before their introduction, modification or withdrawal from the range actually takes place. In addition, the full current product offering is periodically tested against the current standards of the product approval committee. Key criteria are whether the products still meet the needs of customers and whether they still 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.

Audit Rabobank Group periodically verifies independently whether the product approval process has been designed properly, is in place and is working effectively.

Audit

The Executive Board has audits carried out by Audit Rabobank Group (ARG), which holds an independent position within the organisation, to ascertain whether internal risk controls (governance, risk management and control) meet the applicable requirements. Every year, ARG performs audit procedures, based on an extensive risk assessment and an audit plan based on this assessment, in order to establish whether the internal control and risk management systems operate effectively. The director reports directly to the Chairman of the Executive Board and has a direct reporting line to the Audit 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 reporting 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 managing risks entailed by variable remuneration systems. Rabobank endorses these guiding principles and accordingly pursues a prudent, restrained and sustainable remuneration policy, which is in line with the organisation's 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 of the remuneration system by society. The pay outcomes are balanced and the performance criteria do not encourage employees to take irresponsible risks.

Group Remuneration Policy

The prudent and restrained risk policy pursued by Rabobank in 2014 is reflected in the bank's remuneration policy. The members of the Executive Board do not receive variable remuneration and variable pay has been discontinued for all employees covered by the Collective Labour Agreement. Variable remuneration for specialist positions and international positions is being increasingly restricted. All Rabobank Group entities are obliged to comply with the Group Remuneration Policy. To find out more about the Group Remuneration Policy, please consult the chapter on Remuneration elsewhere in this Annual Report.

Severance pay

Rabobank complies with all current legislation and regulations on the level of severance payments.

Management

Members of the Executive Board of Rabobank Nederland

Members of the Executive Board and areas of responsibility (structure from 1 July 2014)

Wiebe Draijer (W.),

Chairman from 1 October 2014

Rinus Minderhoud (M.),

Chairman until 1 October 2014

- Human Resources
- Communications & Corporate Affairs
- Supervision & Compliance
- Audit Rabobank Group
- Legal Affairs Rabobank
- Economic Research Department
- Corporate Secretary's Office

Bert Bruggink (A.)

Chief Finance and Risk Officer (CFRO)

- Control Rabobank Group
- Group Risk Management
- Treasury Rabobank Group
- Credit Risk Management
- Special Accounts Rabobank
- Investor Relations & Rating Agencies
- Fiscal Affairs

Berry Marttin (B.J.)

Markets Rural & Retail International

- Global F&A Banking
- Retail Banking International
- Australia/New Zealand
- South America
- North America
- Sustainability
- Rabobank Development
- Rabobank Foundation
- Leasing

Ralf Dekker (R.J.)

Chief Operational Officer (COO)

- Operations Netherlands
- IT Netherlands
- IT & Operations WRR
- Insurance

Rien Nagel (H.)

Markets Retail Netherlands

- Retail & Private Banking
- Businesses
- Cooperative & Governance

Jan van Nieuwenhuizen (J.L.)

Markets Wholesale Netherlands/
International

- Global Wholesale Product Clients
- Global Corporate Clients
- Wholesale Netherlands & Africa
- Europe
- Asia
- Real Estate

Company Secretary

Rens Dinkhuijsen (L.A.M.)



Members of the Supervisory Board of Rabobank Nederland

Members of the Supervisory Board (as at 1 March 2015)¹

- ¹ The Supervisory Board as it is composed at present complies with principle III.2 Independence of the Dutch corporate governance code.
- Resigned per 19 June 2014 (due to expiry of term of service): Antoon Vermeer (A.J.A.M.)
 - Resigned per 19 June 2014 (due to acceptance of a new position elsewhere): Louise Fresco (L.O.)

<i>Name</i>	<i>Position</i>	<i>First appointed in</i>	<i>Terms of service scheduled to expire in</i>
Wout Dekker (W.)	Chairman	2010	2016
Ron Teerlink (R.)	Deputy Chairman	2013	2017
Cees Veerman (C.P.)	Deputy Chairman	2007	2015
Irene Asscher-Vonk (I.P.)	Secretary	2009	2017
Henk van Dalen (C.H.)	Deputy Secretary	2013	2017
Leo Degle (L.N.)	Member	2012	2016
Leo Graafsma RA (S.L.J.)	Member	2010	2018
Arian Kamp (A.A.J.M.)	Member	2014	2018
Erik van de Merwe (E.A.J.)	Member	2010	2016

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

Directors of Rabobank Nederland and CEOs of key subsidiaries (as at 1 March 2015)

Jan Bos (J.J.)	Control Rabobank Group
Paul Dirken (P.H.J.M.)	Businesses
Ron Droste (R.M.M.A.)	Retail and Private Banking
Dirk Duijzer (D.)	Cooperative & Governance
Pieter Emmen (P.C.A.M.)	Group Risk Management
Ab Gillhaus (A.J.)	Credit Risk Management
Rob Kemna (R.A.C.)	Operations Netherlands
Rudi Kleijwegt (R.P.)	Supervision & Compliance
Lex Kloosterman (A.M.)	Wholesale Rural & Retail
Jos van Lange (J.H.P.M.)	Rabo Real Estate Group
Pim Mol (P.W.)	Communications & Corporate Affairs
Sander Pruijs (J.A.)	Wholesale Rural & Retail
Gerlinde Silvis (A.G.)	Human Resources
René Steenvoorden (R.A.)	IT Netherlands
Bill Stephenson (W.F.)	DLL
Rinus van der Struis (M.)	Audit Rabobank Group
Ronald Touwslager (R.)	Obvion
Fred Weenig (F.)	Proposed Chairman of the Board of Directors of FGH Bank

<i>In millions of euros</i>	<i>At 31 December 2014</i>	<i>At 31 December 2013</i>
Liabilities		
Due to other banks	17,883	14,745
Due to customers	326,471	326,222
Debt securities in issue	189,060	195,361
Derivative financial instruments and other trade liabilities	67,560	50,171
Other debts	8,047	7,749
Other financial liabilities at fair value through profit or loss	19,744	19,069
Provisions	794	1,050
Current tax liabilities	255	266
Deferred tax liabilities	473	288
Subordinated debt	11,928	7,815
Liabilities held for sale and discontinued operations	-	7,825
Total liabilities	642,215	630,561
Equity		
Equity of Rabobank Nederland and local Rabobanks	24,894	23,731
Equity instruments issued directly		
Rabobank Certificates	5,931	5,823
Capital Securities	6,349	7,029
	12,280	12,852
Equity instruments issued by subsidiaries		
Capital Securities	181	236
Trust Preferred Securities III to VI	1,043	1,269
	1,224	1,505
Other non-controlling interests	473	446
Total equity	38,871	38,534
Total equity and liabilities	681,086	669,095

Consolidated statement of income

	<i>For the year ended 31 December</i>	
<i>In millions of euros</i>	2014	2013
Interest income	18,638	19,707
Interest expense	9,520	10,612
Interest	9,118	9,095
Commission income	2,075	2,189
Commission expense	196	188
Commission	1,879	2,001
Income from associates	81	79
Net income from financial assets and liabilities at fair value through profit or loss	219	232
Gains (losses) on available-for-sale financial assets	418	56
Other results	1,142	1,567
Income	12,857	13,030
Staff costs	5,086	5,322
Other administrative expenses	2,532	3,910
Depreciation	437	528
Operating expenses	8,055	9,760
Value adjustments	2,633	2,643
Bank tax and resolution levy	488	197
Operating profit before taxation	1,681	430
Taxation	(161)	88
Net profit from continuing operations	1,842	342
Net profit from discontinued operations	-	1,665
Net profit	1,842	2,007
Of which allocable to Rabobank Nederland and local Rabobanks	620	929
Of which allocable to holders of Rabobank Certificates	385	309
Of which allocable to Capital Securities	705	655
Of which allocable to Trust Preferred Securities III to VI	74	67
Of which allocable to other non-controlling interests	58	47
Net profit for the year	1,842	2,007

Consolidated statement of comprehensive income

	<i>For the year ended 31 December</i>	
<i>In millions of euros</i>	2014	2013
Net profit	1,842	2,007
Unrealised gains and losses after taxation arising in the period that is transferred to profit or loss if specific conditions are met		
Foreign currency translation reserves		
Currency translation differences	325	(341)
Revaluation reserve - Available-for-sale financial assets		
Currency translation differences	(34)	(43)
Changes in associates	86	(28)
Fair value changes	533	(34)
Amortisation of reclassified assets	13	37
Transferred to profit or loss	(237)	(70)
Revaluation reserve - Associates		
Fair value changes	(27)	(21)
Revaluation reserve - Cash flow hedges		
Fair value changes	548	(1,450)
Transferred to profit or loss	(586)	1,459
Non-controlling interests		
Translation differences	22	(16)
Unrealised gains and losses after taxation arising in the period not transferred to profit or loss		
Foreign currency translation differences		
Currency translation differences Trust Preferred Securities III to VI	156	(71)
Revaluation reserve - Pensions		
Fair value changes	(25)	(758)
Total other comprehensive income	774	(1,336)
Total comprehensive income	2,616	671
Of which allocable to Rabobank Nederland and local Rabobanks	1,372	(391)
Of which allocable to holders of Rabobank Certificates	385	309
Of which allocable to Capital Securities	705	655
Of which allocable to Trust Preferred Securities III to VI	74	67
Of which allocable to other non-controlling interests	80	31
Total comprehensive income	2,616	671

Consolidated statement of changes in equity

<i>In millions of euros</i>	<i>Equity of Rabobank Nederland and local Rabobanks</i>	<i>Equity instruments issued directly</i>	<i>Equity instruments issued by subsidiaries</i>	<i>Other non-controlling interests</i>	<i>Total</i>
At 1 January 2014	23,731	12,852	1,505	446	38,534
Net profit	620	1,072	92	58	1,842
Total other comprehensive income:					
Foreign currency translation reserves	481	-	-	22	503
Revaluation reserve - Available-for-sale financial assets	361	-	-	-	361
Revaluation reserve - Associates	(27)	-	-	-	(27)
Revaluation reserve - Cash flow hedges	(38)	-	-	-	(38)
Revaluation reserve - Pensions	(25)	-	-	-	(25)
Total comprehensive income	1,372	1,072	92	80	2,616
Payment on Rabobank Certificates, Trust Preferred Securities III to VI and Capital Securities	-	(1,072)	(92)	-	(1,164)
Redemption of Capital Securities and Trust Preferred Securities V and VI	(167)	(648)	(443)	-	(1,258)
Rabobank Certificates issued during the year	-	108	-	-	108
Other	(42)	(32)	162	(53)	35
At 31 December 2014	24,894	12,280	1,224	473	38,871
At 1 January 2013	25,311	13,786	1,576	1,407	42,080
Change in accounting policy IFRS 10 and 11	-	-	-	(588)	(588)
Adjustment of payments on Rabobank Certificates, Trust Preferred Securities III to VI and Capital Securities	(994)	-	-	-	(994)
Revised amount at 1 January 2013	24,317	13,786	1,576	819	40,498
Net profit	929	946	85	47	2,007
Total other comprehensive income:					
Foreign currency translation reserves	(412)	-	-	(16)	(428)
Revaluation reserve - Available-for-sale financial assets	(138)	-	-	-	(138)
Revaluation reserve - Associates	(21)	-	-	-	(21)
Revaluation reserve - Cash flow hedges	9	-	-	-	9
Revaluation reserve - Pensions	(758)	-	-	-	(758)
Total comprehensive income	(391)	946	85	31	671
Payment on Rabobank (Member) Certificates, Trust Preferred Securities III to VI and Capital Securities	-	(946)	(85)	-	(1,031)
Redemption of Capital Securities	(14)	(83)	-	-	(97)
Exchange of Rabobank Extra Member Bonds	-	225	-	-	225
Rabobank (Member) Certificates redeemed during the year	-	(2,074)	-	-	(2,074)
Rabobank (Member) Certificates issued during the year	-	1,000	-	-	1,000
Costs of issuance of Rabobank (Member) Certificates	(79)	-	-	-	(79)
Premium (Discount) in relation to Rabobank (Member) Certificates	(133)	-	-	-	(133)
Increase of share in structured finance deal	-	-	-	(360)	(360)
Other	31	(2)	(71)	(44)	(86)
At 31 December 2013	23,731	12,852	1,505	446	38,534

Consolidated statement of cash flows

<i>In millions of euros</i>	<i>For the year ended 31 December</i>	
	2014	2013
Cash flows from operating activities		
Operating profit before taxation from continuing operations	1,681	430
Operating profit before taxation from discontinued operations	-	1,719
Adjusted for:		
Non-cash items recognised in operating profit before taxation		
Depreciation	437	528
Depreciation of operating lease assets and investment properties	924	818
Value adjustments	2,633	2,643
Impairment on property activities	40	637
Result on sale of property and equipment	17	20
Income from associates	(81)	(79)
Fair value results on financial assets and liabilities at fair value through profit or loss	(219)	(232)
Gains (losses) on available-for-sale financial assets	(418)	(56)
Result from termination of DB scheme	-	(2,022)
Provisions	(256)	220
Non-cash items relating to discontinued operations	-	204
Net change in operating assets		
Due from and to other banks	(1,513)	(17,014)
Financial assets held for trading	2,724	64
Derivative financial instruments	(16,676)	25,591
Net change in other financial assets and liabilities at fair value through profit or loss	57	(3,021)
Loans to customers	(2,976)	20,298
Dividends received from associates and financial assets	96	95
Net change in liabilities relating to operating activities		
Derivative financial instruments and other trade liabilities	17,288	(24,520)
Due to customers	(6,143)	(1,642)
Debt securities in issue	(6,588)	(27,689)
Other debts	91	(2,818)
Income tax paid	(338)	(318)
Other changes	(4,243)	1,451
Net cash flow from operating activities	(13,463)	(24,693)
Cash flows from investing activities		
Acquisition of associates net of cash and cash equivalents acquired	(54)	(58)
Disposal of associates net of cash and cash equivalents	54	1
Acquisition of subsidiaries net of cash and cash equivalents acquired	-	-
Disposal of subsidiaries net of cash and cash equivalents	591	1,788
Acquisition of property and equipment and investment properties	(2,360)	(1,791)
Proceeds from sale of property and equipment	1,609	669
Acquisition of available-for-sale financial assets and held-to-maturity financial assets	(9,863)	(44,524)
Proceeds from sale and repayment of available-for-sale financial assets and held-to-maturity financial assets	19,528	44,167
Net cash flow from investing activities	9,505	252
Cash flows from financing activities		
Acceptance of Rabobank Certificates	-	(2,788)
Sale of Rabobank Certificates	-	1,465
Issuance of Rabobank Certificates	108	-
Redemption of Trust Preferred Securities V and VI	(382)	-
Payments on Rabobank Certificates, Trust Preferred Securities III to VI and Capital Securities	(1,164)	(1,030)
Payments on Senior Contingent Notes and Rabo Extra Member Bonds	(86)	(86)
Redemption of Capital Securities	(709)	(83)
Proceeds from issue of subordinated debt	3,607	3,224
Repayment of subordinated debt	(9)	(733)
Net cash flow from financing activities	1,365	(31)
Net change in cash and cash equivalents	(2,593)	(24,472)
Cash and cash equivalents at beginning of year	43,039	68,103
Foreign exchange differences on cash and cash equivalents	2,963	(592)
Cash and cash equivalents at end of year	43,409	43,039
The cash flows from interest are included in the net cash flow from operating activities		
Interest income	18,877	19,928
Interest expense	9,739	9,660

Business segments

<i>In millions of euros</i>	<i>Domestic retail banking</i>	<i>Wholesale banking and international retail banking</i>	<i>Leasing</i>	<i>Real estate</i>	<i>Other segments</i>	<i>Consolidation effects/hedge accounting</i>	<i>Total</i>
For the year ended on 31 December 2014							
Interest	5,783	2,416	1,000	313	(394)	-	9,118
Commission	1,318	552	30	36	(20)	(37)	1,879
Other income	349	799	548	261	(550)	453	1,860
Total income	7,450	3,767	1,578	610	(964)	416	12,857
Segment expenses	4,662	2,417	834	311	(50)	(119)	8,055
Value adjustments	1,422	420	131	656	4	-	2,633
Bank tax and resolution levy	354	67	9	8	50	-	488
Operating profit before taxation	1,012	863	604	(365)	(968)	535	1,681
Taxation	261	105	168	(102)	(726)	133	(161)
Net profit from continuing operations	751	758	436	(263)	(242)	402	1,842
Net profit from discontinued operations	-	-	-	-	-	-	-
Net profit	751	758	436	(263)	(242)	402	1,842
Business unit assets	354,315	494,452	37,226	22,953	89,072	(320,739)	677,279
Investments in associates	17	684	22	193	2,891	-	3,807
Total assets	354,332	495,136	37,248	23,146	91,963	(320,739)	681,086
Business unit liabilities	326,481	482,889	32,957	21,862	84,306	(306,280)	642,215
Total liabilities	326,481	482,889	32,957	21,862	84,306	(306,280)	642,215
Additions to property and equipment	140	39	1,509	4	59	-	1,751
Depreciation of tangible assets and amortisation of intangible assets	127	87	47	9	166	-	436
Impairment of tangible and intangible assets	9	32	1	6	24	-	72
Goodwill	322	676	455	1	-	-	1,454

<i>In millions of euros</i>	<i>Domestic retail banking</i>	<i>Wholesale banking and international retail banking</i>	<i>Asset management</i>	<i>Leasing</i>	<i>Real estate</i>	<i>Other segments</i>	<i>Consolidation effects/hedge accounting</i>	<i>Total</i>
For the year ended on 31 December 2013								
Interest	5,605	2,606	(2)	973	335	(422)	-	9,095
Commission	1,319	641	3	52	29	(10)	(33)	2,001
Other income	616	793	2	545	(556)	1,544	(1,010)	1,934
Total income	7,540	4,040	3	1,570	(192)	1,112	(1,043)	13,030
Segment expenses	5,015	3,132	2	764	339	591	(83)	9,760
Value adjustments	1,384	568	-	170	513	8	-	2,643
Bank tax	90	75	-	9	8	14	1	197
Operating profit before taxation	1,051	265	1	627	(1,052)	499	(961)	430
Taxation	270	219	-	205	(238)	(129)	(239)	88
Net profit from continuing operations	781	46	1	422	(814)	628	(722)	342
Net profit from discontinued operations	-	-	80	-	-	1,585	-	1,665
Net profit	781	46	81	422	(814)	2,213	(722)	2,007
Business unit assets	376,241	482,309	1,276	33,128	27,192	70,943	(325,741)	665,348
Investments in associates	17	643	-	25	213	2,849	-	3,747
Total assets	376,258	482,952	1,276	33,153	27,405	73,792	(325,741)	669,095
Business unit liabilities	349,172	472,329	1,051	29,267	26,344	63,995	(311,597)	630,561
Total liabilities	349,172	472,329	1,051	29,267	26,344	63,995	(311,597)	630,561
Additions to property and equipment	160	28	-	1,420	13	38	-	1,659
Depreciation of tangible assets and amortisation of intangible assets	145	127	-	50	27	179	-	528
Impairment of tangible and intangible assets	2	52	-	-	-	12	-	66
Goodwill	322	599	-	460	-	-	-	1,381

Independent auditor's report

To: The General Meeting of Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A.

The 2014 annual figures set out on pages 146 to 153, which comprise the consolidated statement of financial position as at 31 December 2014, 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 business segments for the year then ended are derived from the audited consolidated financial statements 2014 of Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (hereafter: 'Rabobank'), Amsterdam. We expressed an unqualified auditor's opinion on those financial statements in our auditor's report dated 31 March 2015.

The 2014 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 2014 annual figures, therefore, is not a substitute for reading the audited consolidated 2014 financial statements of Rabobank.

Executive Board's responsibility

The Executive Board is responsible for the preparation of the 2014 annual figures in accordance with the audited consolidated 2014 financial statements and the accounting policies set out therein.

Auditor's responsibility

Our responsibility is to express an opinion on the 2014 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 2014 annual figures are consistent, in all material respects, with the audited consolidated 2014 financial statements of Rabobank and in accordance with the accounting policies set out therein.

Amsterdam, 31 March 2015

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.

W. Draijer, *Chairman*

A. Bruggink, *CFRO*

B.J. Martin, *member*

R.J. Dekker, *member*

H. Nagel, *member*

J.L. van Nieuwenhuizen, *member*

Utrecht, 31 March 2015

Colophon

Published by

Rabobank
Communications & Corporate Affairs Department

About the Annual Report

Rabobank has integrated both the financial information and the key corporate social responsibility reporting information in the Annual Report 2014 Rabobank Group.

This report is based on the financial statements 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 18 June 2015.

An independent auditor's report as referred to in Section 393, paragraph 5 of Book 2 of the Dutch Civil Code has been issued for 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 G4 Guidelines of the Global Reporting Initiative in accordance with the comprehensive option. The content of the sustainability sections of Rabobank's reporting has been fully verified by KPMG Sustainability and provided with an assurance report classified as having a reasonable degree of certainty. The section of the annual report dealing with sustainability is an integral part of the annual report. A document entitled Sustainability Reporting 2014 is placed on the corporate website from which the section of the annual report on sustainability is derived.

Annual reporting

Rabobank Group will publish the following reporting documents in 2015:

- Annual Summary 2014 Rabobank Group - Jaarbericht 2014 Rabobank Groep
- Annual Report 2014 Rabobank Group - Jaarverslag 2014 Rabobank Groep
- Consolidated Financial Statements 2014 Rabobank Group - Geconsolideerde jaarrekening 2014 Rabobank Groep
- Financial Statements 2014 Rabobank Nederland - Jaarrekening 2014 Rabobank Nederland
- Capital Adequacy and Risk Management Report 2014 (Pillar 3)
- Interim Report 2015 Rabobank Group - Halfjaarverslag 2015 Rabobank Groep

The Annual Report 2014 Rabobank Group, the Consolidated Financial Statements 2014 Rabobank Group, the Financial Statements 2014 Rabobank Nederland and the Capital Adequacy and Risk Management Report (Pillar 3) will be available online at www.rabobank.com from 31 March 2015. The printed version of the annual report and the financial statements 2014 will be available from 13 April 2015.

In the event of differences in content between the online version and the printed version, the content of the online version shall always prevail.

Links are provided in the online version of the Annual Report 2014 to additional information on particular subjects.

Materials used

Rabobank uses environmentally-friendly materials when printing this document.

Contact

Rabobank has exercised the utmost care in the preparation of this annual report. If you have any questions or wish to suggest improvements to our reporting, please contact us by e-mail to webmaster@rn.rabobank.nl.

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

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