FitchRatings

Banks
Universal Commercial Banks
Netherlands

Cooperatieve Rabobank U.A.

Ratings

Foreign Currency	
Long-Term IDR	A+
Short-Term IDR	F1
Derivative Counterparty Rating	AA-(dcr)
Viability Rating	a+
Government Support Rating	ns
Sovereign Risk	
Long-Term Foreign-and Local-Currency IDRs	AAA
Country Ceiling	AAA
Outlooks	
Long-Term Foreign-Currency IDR	Stable
Sovereign Long-Term Foreign- and Local-Currency IDRs	Stable

Applicable Criteria

Bank Rating Criteria (September 2022)

Related Research

Fitch Affirms Rabobank at 'A+'; Outlook Stable (November 2022)

Netherlands (September 2022)

Global Economic Outlook (December 2022)

Western European Banks Outlook 2023 (December 2022)

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Key Rating Drivers

Business, Risk Profiles, Strong Capital Drive Ratings: Cooperative Rabobank U.A.'s (Rabobank) ratings are underpinned by its well-established leading market position in Dutch retail banking, complemented by a solid franchise in the global food and agriculture (F&A) sectors, a conservative risk profile, strong capitalisation and diversified funding.

Leading Domestic Franchise: Rabobank is a cooperative bank operating mainly in the Netherlands, where it is the leading bank in retail and SME banking. Its business profile is supported by good international diversification, mainly through its solid franchise in global F&A. Its business model is geared towards traditional retail and commercial banking and has limited reliance on volatile businesses and this supports Fitch Ratings' assessment of the bank.

Conservative Risk Profile: Rabobank's risk profile, underpinned by low risk appetite and prudent underwriting, is a rating strength. This includes conservative capital management, which should remain central to the bank's strategy. Rabobank's underwriting standards are also conservative and benefit from its focus on sectors and products where it has extensive expertise.

Resilient and Improved Asset Quality: Rabobank's asset quality is supported by its large exposure to low-risk and well-performing Dutch residential mortgage loans, and well-collateralised SME and corporate lending. Following a more active approach to work-outs of its stock of impaired loans in recent years, Rabobank has significantly reduced its impaired loans ratio to levels that are now in line with large Dutch banks. Fitch expects Rabobank's impaired loans ratio to moderately deteriorate to around 3% by end-2023.

Adequate Profitability: Rabobank has a good record of generating adequate profitability, although its cost efficiency is generally weaker than similarly rated peers. Rabobank's sound earnings generation is underpinned by its leading domestic franchises in the Netherlands, and globally in F&A. Although revenue is set to benefit from higher interest rates, we expect the operating profit/risk-weighted assets (RWAs), assessed in the context of conservative RWAs calculations, will be in line with Rabobank's long-term performance at about 1.4%.

Capitalisation a Rating Strength: Rabobank's capital and leverage ratios compare well with similarly rated peers, and are a rating strength. The bank's medium-term common equity Tier 1 ratio (CET1) target of at least 14% by 2024 under Basel III end-game rules includes a comfortable buffer of 330bp above current minimum capital requirements (including the countercyclical buffer in the Netherlands, which will be implemented in May 2023). We expect Rabobank's CET1 ratio will remain comfortably above its medium-term target in 2023.

Diversified Funding, Conservative Liquidity: Rabobank's funding mix is diversified and benefits from its strong retail and commercial deposit franchise in the Netherlands. The higher reliance on wholesale funding relative to some international peers is due to a structural shortage of deposits in the Netherlands, where the pension system steers individuals' savings to pension funds. This is mitigated by low refinancing risk, given sound access to the international debt markets in several currencies, prudent liquidity management and an ample liquidity buffer.

Rating Sensitivities

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

Rabobank's ratings would come under pressure if its CET1 ratio fell materially below 14%, together with a deterioration in leverage, without a credible plan to restore these ratios. A sharper-than-expected weakening in asset quality, with Rabobank's impaired loans ratio increasing above 3% on a sustained basis, as well as a failure to durably set the bank's operating profit/RWAs at least at 1.5%, would also likely lead to a downgrade.

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

There is limited upside potential for Rabobank's ratings. An upgrade would require a significant and structural improvement in profitability and asset quality while maintaining conservative risk appetite and capital management. For instance, we could upgrade the ratings if Rabobank delivers an operating profit/RWAs consistently above 2.5% and reduces the impaired loans ratio to 1% or lower, which is unlikely over our rating horizon given the current ratios.

Other Debt and Issuer Ratings

Rating level	Rating
Deposits	AA-/F1+
Senior non-preferred debt	A+
Senior preferred debt	AA-/F1+
Subordinated Tier 2 debt	A-
Additional Tier 1 debt	BBB

Source: Fitch Ratings

Short-Term IDR

Rabobank's Short-Term IDR of 'F1' is the lower of the two options that map to a 'A+' Long-Term IDR, driven by the bank's 'a+' score for funding and liquidity.

Derivative Counterparty Rating, Deposits and Senior Debt

Rabobank's Derivative Counterparty Rating (DCR) and long-term senior preferred debt and deposit ratings are one notch above the bank's Long-Term IDR. This reflects the protection offered to preferred creditors by the resolution buffers of equity and more junior debt. Rabobank is subject to the minimum requirement for own funds and eligible liabilities (MREL), with a binding requirement of 27.6% of RWAs since 1 January 2022. The bank has publicly stated that it intends to meet its MREL using subordinated and senior non-preferred (SNP) instruments only. For the same reasons, we rate Rabobank's SNP debt at 'A+', in line with the Long-Term IDR.

Subordinated Debt and Junior Subordinated Debt

Rabobank's subordinated Tier 2 debt is rated two notches below its VR. This is in line with Fitch's baseline notching for loss severity as Fitch expects recoveries to be poor for this type of debt in the event of default/non-performance of the bank.

Additional Tier 1 (AT1) instruments with fully discretionary coupons and legacy hybrid debt with partly discretionary coupons are rated four notches below the VR, in line with the baseline notching for this type of debt. This comprises two notches for loss severity and two notches for non-performance risk. Our assessment is based on the fact that there is significant distance between the bank's CET1 ratio and mandatory coupon omission triggers.

Significant Changes from Last Review

Investigation on AML Control Failings

In December 2022, the Dutch public prosecutor's office informed Rabobank that the bank was subject to an investigation in relation to violation of the Dutch Anti-Money Laundering (AML) and Anti-Terrorist Financing Act. This investigation follows announcement by the Dutch central bank (DNB) in October 2021 that a punitive enforcement procedure would be launched. The final outcome of this procedure is difficult to predict, but Rabobank's ratings reflect our expectation that the financial impact on earnings will be manageable and the bank's capitalisation will not be adversely affected.

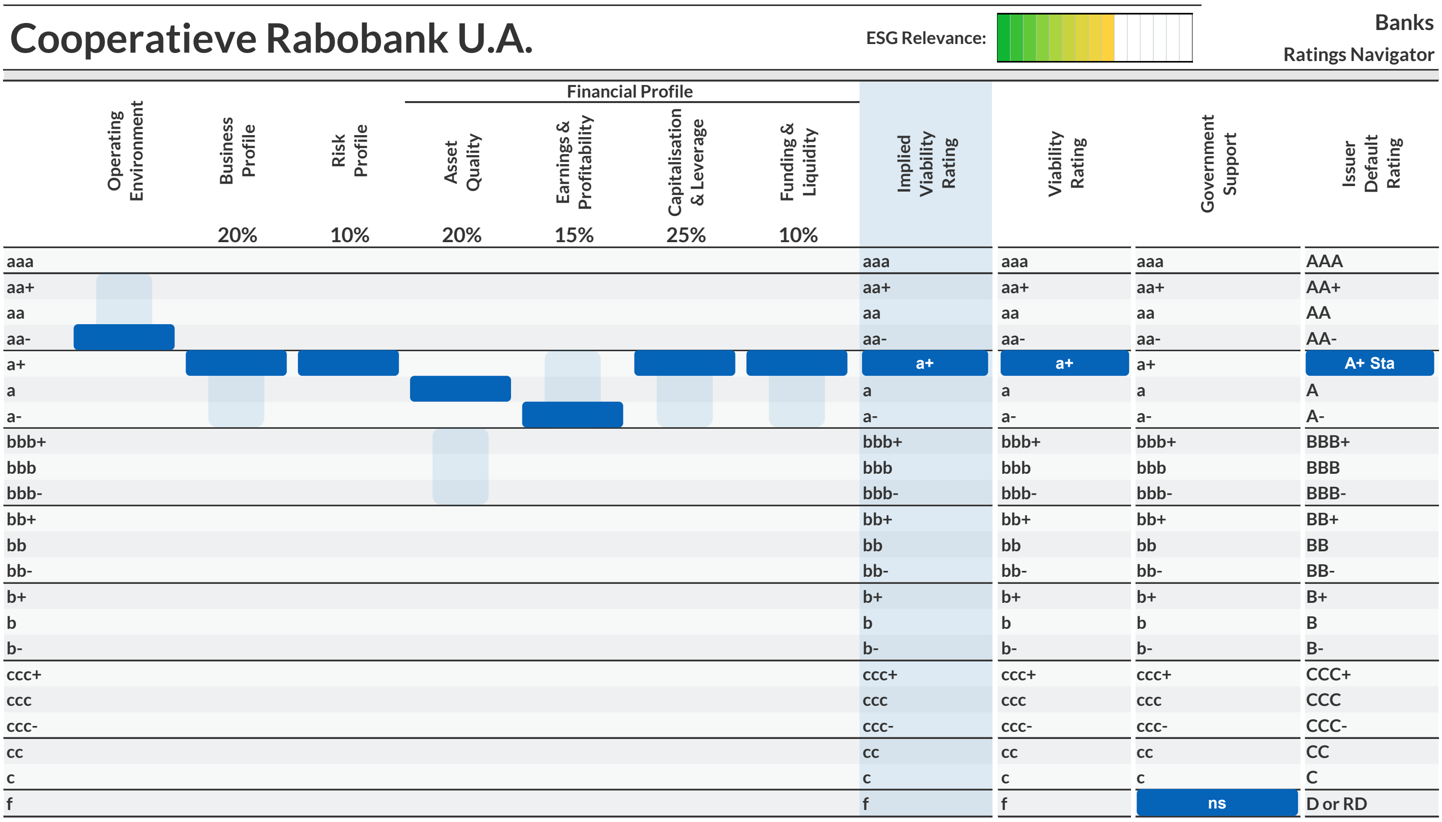
At the time of the announcement that a punitive enforcement procedure would be started, Rabobank also received a draft instruction from the DNB requesting the bank to remedy outstanding deficiencies in relation to compliance to Dutch AML and Anti-Terrorist Financing Act. Deficiencies relate to execution, recording and outsourcing client due diligence, transaction monitoring, and reporting of unusual transactions. This regulatory action may reflect DNB's view that efforts made by Rabobank in the past few years to strengthen its “know-your-customer” (KYC) framework were not sufficient and that the bank is not yet in full compliance with the Dutch AML regulation. Rabobank has invested substantially in improving its KYC framework in recent years, and staff dedicated to compliance increased to about 5,500 people.

Two other large Dutch banks have been subject to similar procedures concluding in a settlement. In April 2021, ABN AMRO Bank N.V. paid a EUR300 million fine and EUR180 million disgorgement at the end of an investigation that revealed serious shortcomings in the bank’s KYC framework. ING Bank N.V. settled a EUR775 million fine and disgorgement in 2018 following similar investigations by the Dutch public prosecutor office. Both banks have since demonstrated progress in addressing weaknesses in their KYC processes.

Potential Breach of EU Antitrust Rules

Rabobank has been informed by the European Commission (EC) of a potential breach of EU antitrust rules. On 6 December 2022, the EC started an investigation and released a preliminary view that Rabobank, along with another bank, colluded to distort competition when trading certain bonds in the secondary market. The allegations are serious, and relate to the 2005–2016 period. Other European banks have been subject to similar investigations involving cartels affecting the market for bonds trading involving a settlement. In April 2021, the EC fined three investment banks a total of EUR28 million, and in May 2021 it inflicted a EUR371 million fine on seven investment banks. A potential settlement would be comfortably absorbed by Rabobank’s annual operating profit, which we expect to reach about EUR3.5 billion in 2023.

Ratings Navigator



The Key Rating Driver (KRD) weightings used to determine the implied VR are shown as percentages at the top. In cases where the implied VR is adjusted upwards or downwards to arrive at the VR, the KRD associated with the adjustment reason is highlighted in red. The shaded areas indicate the benchmark-implied scores for each KRD.

VR - Adjustments to Key Rating Drivers

The asset quality score of 'a' has been assigned above the 'bbb' category implied score due to the following adjustment reasons: loan classification policies (positive) and historical and future metrics (positive).

Company Summary and Key Qualitative Factors

Business Profile

Rabobank is one of the three leading banks in the Netherlands, benefitting from very strong franchises in the Dutch retail and SME segments, and a well-entrenched global franchise in the F&A sector. Rabobank has leading Dutch market shares in household savings (around 35% at end-June 2022), residential mortgage loans (about 16% of new production), SME lending (about 40%) and agricultural lending (about 85%). Rabobank is a leading financer of F&A domestically and abroad, and has a long record in this sector. F&A accounts for about a quarter of the bank's total net loans to the private sector. About 65% of F&A loans were granted internationally. Non-F&A international presence has decreased as Rabobank has ceased international retail banking operations and streamlined its wholesale banking operations.

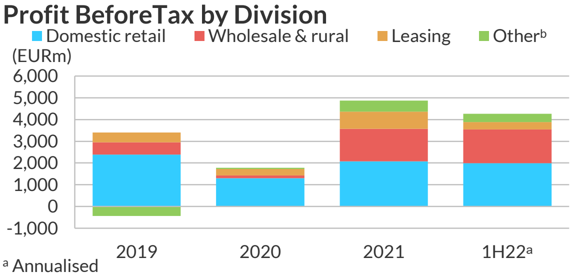
Net interest income (NII) dominates the bank's revenue (around 75%), which is high by European standards, and is complemented by net fees and commissions (15%–20% of revenue in recent years). Domestic retail banking is the main profit contributor for the bank. The average contribution of the wholesale and international rural business line is around 25% of total pre-tax profit in the past four years. The balance mainly comprises the growing leasing business carried out through subsidiary De Lage Landen (DLL).

Experienced Management, Consistent Strategy

Fitch believes Rabobank's management has a high degree of depth and experience. The bank has had some senior management turnover in recent years, but we believe this is we believe this is unlikely to alter the bank's strategy or execution capacity. The nomination of the new chair of the managing board, who will take office on 1 January 2023, demonstrates the bank's ability to attract strong external candidates for its management team. Corporate governance is generally effective across the group. Rabobank's strategy is consistent, well-articulated and reflects long-term goals aimed at consolidating its strong franchises in the Netherlands and in global F&A. The bank's short-term financial targets were revised downwards in 2020 to reflect the low interest rate environment, as at some industry peers; however, the bank's long-term ambitions have remained intact.

To achieve its near-term profitability targets, Rabobank aims to generate at least EUR600 million gross cost savings by 2024, of which EUR300 million gross savings was already realised in 2021. These cost efficiencies should help contain costs despite investments in digitalisation and continued regulatory costs.

Profit BeforeTax by Division



[a] Annualised
[b] Property development, central functions and cons
Source: Fitch Ratings, Rabobank

Financial Targets

(%)	Target 2024[a]	Long-term target	End-June 2022/1H22[b]
CET1 ratio	>14 (Basel III end-game)	>14	15.1
Return on equity	6–7	>8	7
Cost/income	low 60%	mid 50%	63.5

[a] Prior to Covid 2022 targets [b] As calculated by Rabobank
Source: Fitch Ratings

Risk Profile

Conservative Underwriting Standards

Rabobank has a low-to-moderate risk appetite and has demonstrated a prudent approach to risk-taking. Underwriting standards benefit from the bank's focus on sectors and products where it has extensive expertise. Lending is predominantly secured, with conservative haircuts applied to collateral values. Strict concentration limits are in place.

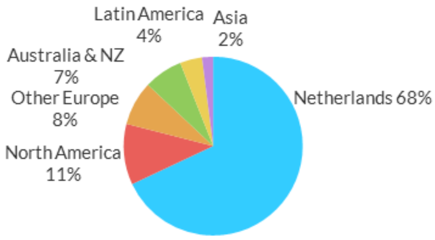
Underwriting standards in Dutch mortgage lending focus on affordability, including under stressed interest rates, and are low-risk. Rabobank, like other Dutch banks, has been working on strengthening its customer due diligence and transaction monitoring controls given increased regulatory scrutiny. This area is likely to require continued investment in the near term.

Modest Market Risk Mainly Stems from Interest Rate Risk in the Banking Book

Rabobank's structural interest-rate risk is controlled and managed using earnings at risk and modified duration of equity, complemented by regular scenario analysis.

The bank hedges its currency risk to minimise the impact of currency fluctuations on its CET1 ratio. Market risk from customer-driven trading activities is low. The highest value-at-risk (one day holding period/97.5% confidence) recorded in 2021 was EUR6.3 million. The most significant equity investment at end-2021 was the 31% stake in Achmea B.V. (A/Stable), one of the leading Dutch insurance companies with cooperative roots. As part of the sale of RNA (a former full-service US subsidiary operating in the south-western states in the US), Rabobank also owns a 9.9% stake in the buyer, California-based Mechanics Bank.

Private Sector Loans by Region
EUR433bn at end-June 2022



Source: Fitch Ratings, Rabobank

Financial Profile

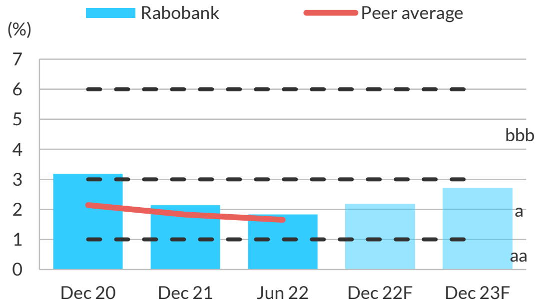
Asset Quality

Rabobank's main source of credit risk stems from its customer loan book, which represents almost two-thirds of the bank's total assets. Rabobank's impaired loans ratio (as calculated by Fitch), continued to improve despite the more challenging operating environment reaching 1.8% at end-June 2022 (2018–2021 four-year average: 3.1%). The improvement in asset quality reflects limited inflows in impaired loans and active problem loan work-out management. Specific coverage of Stage 3 loans (25% at end-June 2022) is low relative to European peers. This reflects the highly secured nature of Rabobank's loan book, availability of collateral and low historical credit losses, but this exposes Rabobank to fluctuations in collateral values.

Rabobank's stock of impaired loans has been consistently declining for the past few years. The pace of the reduction has accelerated since 2018 as the bank has taken a more active approach to work-outs in anticipation of the provisioning backstop regulation and in line with supervisory expectations on impaired loan coverage. We expect some increase in impaired loans because of the weakening economic environment. The impact on Rabobank's asset quality should be cushioned by the bank's high exposure to resilient Dutch residential mortgage loans, and by contained aggregate exposure to the sectors most vulnerable to current economic challenges. Exposure to retail and leisure CRE, leveraged finance, and other energy-intensive sectors accounted for a relatively small 3% of total loans at end-June 2022.

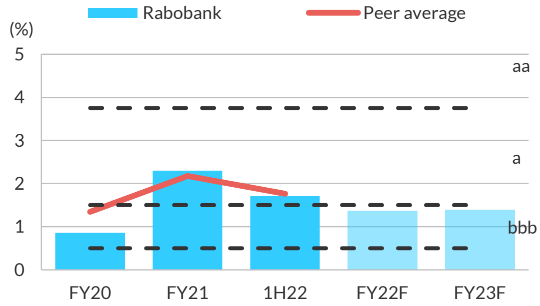
Exposure to the F&A industry accounted for about a quarter of total loans at end-June 2022, which is considerably higher than most peers. While F&A is inherently a more volatile sector, exposed to weather conditions and commodity prices, companies in the food-supply chain appear less affected by the current crisis because of rising soft commodity prices. However, the reclassification of the bank's EUR10 billion Dutch dairy exposure to Stage 2 in 1H22 reflects potential heightened credit risk in Rabobank's Dutch agricultural exposure, particularly dairy, from the government's plan to cut nitrogen emissions and without incorporating the large public-support package to the affected sectors.

Impaired Loans/Gross Loans



Source: Fitch Ratings, Fitch Solutions

Operating Profit/Risk-Weighted Assets



Source: Fitch Ratings, Fitch Solutions

Earnings and Profitability

Rabobank's profitability appears weaker than most of its similarly rated peers, although it has been narrowing the gap through an ambitious restructuring programme and strengthened pricing discipline throughout the group. We believe Rabobank's profitability has to be assessed against its lower risk profile. The bank's profitability has benefitted in the past 12–18 months from very low loan-impairment charges (LICs) and reversals of loan loss provisions. We expect Rabobank to perform in line with its long-term average in 2022–2023, with benefits from higher interest rates partly outweighed by higher inflation-driven costs and normalised LICs.

Rabobank's operating profit/RWAs at 1.7% in 1H22 was above its long-term average, despite a material increase in RWAs, as it benefitted from exceptionally low LICs of 1bp of gross loans. Operating income contracted by 1% yoy as sound NII and fee income growth was offset by weaker asset revaluations, relative to the very strong 1H21 performance. Core revenue performed well, with NII and fee income up by 6%. The growth in NII was supported by higher non-retail lending volumes and improved savings margins. Fee income growth was driven by higher fees on current accounts and in asset management.

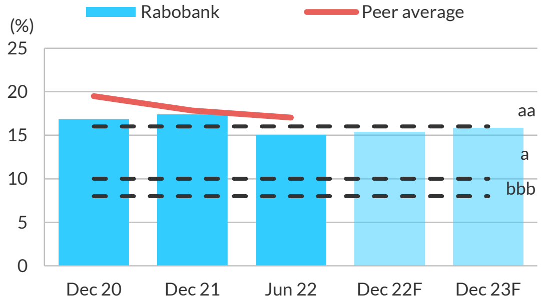
In the past few years, Rabobank has marginally decreased costs – even if it had to absorb higher investments associated to its KYC remediation programme, contributing to the improved cost/income ratio. The latter is still rather high but compares well with peer cooperative banks. The 7% increase in operating costs in 1H22 reflecting higher KYC and IT-staff related expenses, resulted into a cost/income ratio of 64% (1H21: 60%). Rabobank may need to absorb a fine related to AML issues, but this should be manageable, in our view.

Capital and Leverage

Rabobank's CET1 ratio materially declined to 15.1% at end-June 2022 (end-2021: 17.4%), mainly because of higher RWAs from the implementation of risk-weight floors in the Netherlands, model changes and business growth. Risk-weight floors on Dutch residential mortgage loans effectively front-load part of the final Basel III end-game impact, and as such Rabobank expects that remaining related RWA inflation will be negligible. Rabobank's RWA density increased to 38% at end-June 2022 (end-2021: 33%), higher than peers. We expect Rabobank's CET1 ratio will remain around 15% in the next 12–24 months, supported by relatively high profit retention in line with its cooperative structure, which should offset an increase in RWA from moderate asset growth and potentially negative rating migrations.

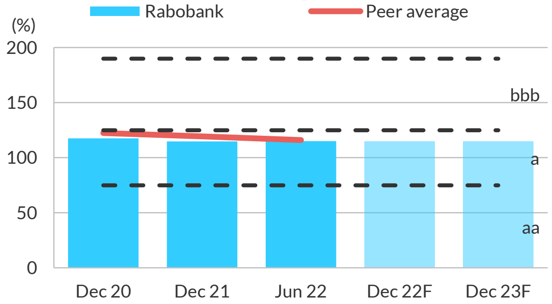
The bank's regulatory leverage ratio of 6.2% at end-June 2022 compares favourably with peers. The decrease from 7.3% at end-2021 was due to the end of the temporary benefit from the exclusion of central bank deposits from the total leverage exposure.

CET1 Ratio



Source: Fitch Ratings, Fitch Solutions

Gross Loans/Customer Deposits



Source: Fitch Ratings, Fitch Solutions

Funding and Liquidity

Customer deposits are Rabobank's main funding source accounting for around 65% of total funding. Deposits are sourced principally in the Netherlands where Rabobank has a well-entrenched retail and SME franchise. Rabobank's customer loans/deposits of 115% at end-June 2022 is satisfactory and has improved, driven by sound deposit growth since the onset of the pandemic.

Rabobank's balance-sheet reduction in the pre-pandemic years led to lower use of wholesale funding, but the bank maintains some reliance on investor-sensitive wholesale funding. In recent years, Rabobank sought to diversify its wholesale funding profile and accessed debt markets in various instruments and currencies. The bank's participation in the ECB's targeted long-term refinancing operations (TLTRO III) was at EUR55 billion at end-June 2022, of which only a small proportion was used to replace the bank's wholesale debt.

The bank's high-quality liquid assets accounted for about 23% of total assets at end-June 2022 (EUR152 billion), consisting mainly of cash with central banks. Liquid assets comfortably cover short-term debt and upcoming long-term debt maturities. The liquidity coverage ratio (199%) and the net stable funding ratio (132%) at end-June 2022 are significantly above minimum requirements. We expect both ratios to slightly decrease by end-2023 as liquidity conditions normalise.

Additional Notes on Charts

The forecasts in the charts in this section reflect Fitch's forward view on the bank's core financial metrics per Fitch's Bank Rating Criteria. They are based on a combination of Fitch's macro-economic forecasts, outlook at the sector level and company-specific considerations. As a result, Fitch's forecasts may materially differ from the guidance provided by the rated entity to the market

To the extent Fitch is aware of material non-public information with respect to future events, such as planned recapitalisations or merger and acquisition activity, Fitch will not reflect these non-public future events in its published forecasts. However, where relevant, such information is considered by Fitch as part of the rating process.

Black dashed lines represent indicative quantitative ranges and implied scores for Fitch's core financial metrics for banks operating in the environments that Fitch scores in the 'aa' category. Light-blue columns represent Fitch's forecasts. Peer average includes ABN AMRO Bank N.V. (VR: a), ING Groep N.V. (a+), de Volksbank N.V. (a-), Danske Bank A/S (a), Nordea Bank Abp (aa-), Credit Agricole (a+).

Financials

Financial Statements

	30 Jun 22		31 Dec 21	31 Dec 20	31 Dec 19
	6 months - interim	6 months - interim	Year end	Year end	Year end
	(USDm)	(EURm)	(EURm)	(EURm)	(EURm)
	Reviewed - unqualified	Reviewed - unqualified	Audited - unqualified	Audited - unqualified	Audited - unqualified
Summary income statement					
Net interest and dividend income	4,550	4,380	8,351	7,997	8,483
Net fees and commissions	1,091	1,050	2,008	1,780	1,989
Other operating income	549	529	1,802	986	1,070
Total operating income	6,190	5,959	12,161	10,763	11,542
Operating costs	3,928	3,782	7,766	7,090	7,599
Pre-impairment operating profit	2,261	2,177	4,395	3,673	3,943
Loan and other impairment charges	44	42	-474	1,913	975
Operating profit	2,218	2,135	4,869	1,760	2,968
Other non-operating items (net)	n.a.	n.a.	8	-264	73
Tax	586	564	1,185	400	838
Net income	1,632	1,571	3,692	1,096	2,203
Other comprehensive income	325	313	378	-663	49
Fitch comprehensive income	1,957	1,884	4,070	433	2,252
Summary balance sheet					
Assets					
Gross loans	456,748	439,730	426,064	423,527	430,894
- Of which impaired	8,346	8,035	9,118	13,507	15,090
Loan loss allowances	3,522	3,391	3,497	4,700	3,940
Net loans	453,226	436,339	422,567	418,827	426,954
Interbank	20,878	20,100	5,475	5,580	6,594
Derivatives	28,146	27,097	22,971	29,638	23,584
Other securities and earning assets	21,687	20,879	51,744	57,535	58,126
Total earning assets	523,937	504,415	502,757	511,580	515,258
Cash and due from banks	150,359	144,757	120,533	108,466	63,086
Other assets	18,356	17,672	16,285	12,212	12,254
Total assets	692,652	666,844	639,575	632,258	590,598
Liabilities					
Customer deposits	396,549	381,774	371,504	360,478	338,504
Interbank and other short-term funding	80,581	77,579	99,592	84,873	51,975
Other long-term funding	134,885	129,859	96,349	108,228	125,086
Trading liabilities and derivatives	24,111	23,213	20,129	29,400	24,473
Total funding and derivatives	636,127	612,425	587,574	582,979	540,038
Other liabilities	8,829	8,500	8,599	8,647	9,213
Preference shares and hybrid capital	5,152	4,960	3,978	4,482	5,264
Total equity	42,544	40,959	39,424	36,150	36,083
Total liabilities and equity	692,652	666,844	639,575	632,258	590,598
Exchange rate		USD1 = EUR0.96274	USD1 = EUR0.884173	USD1 = EUR0.821963	USD1 = EUR0.89015

Source: Fitch Ratings, Fitch Solutions, Rabobank

Key Ratios

	30 Jun 22	31 Dec 21	31 Dec 20	31 Dec 19
Ratios (annualised as appropriate)				
Profitability				
Operating profit/risk-weighted assets	1.7	2.3	0.9	1.4
Net interest income/average earning assets	1.8	1.6	1.6	1.7
Non-interest expense/gross revenue	64.6	65.7	67.0	67.0
Net income/average equity	7.9	9.7	3.0	6.2
Asset quality				
Impaired loans ratio	1.8	2.1	3.2	3.5
Growth in gross loans	3.2	0.6	-1.7	0.8
Loan loss allowances/impaired loans	42.2	38.4	34.8	26.1
Loan impairment charges/average gross loans	0.0	-0.1	0.5	0.2
Capitalisation				
Common equity Tier 1 ratio	15.1	17.4	16.8	16.3
Fully loaded common equity Tier 1 ratio	15.1	17.4	16.8	16.3
Tangible common equity/tangible assets	6.0	6.0	5.6	5.9
Basel leverage ratio	6.2	7.3	7.0	6.3
Net impaired loans/common equity Tier 1	12.3	15.3	25.4	33.2
Funding and liquidity				
Gross loans/customer deposits	115.2	114.7	117.5	127.3
Liquidity coverage ratio	198.6	184.0	193.0	132.0
Customer deposits/total non-equity funding	64.0	64.9	64.5	64.9
Net stable funding ratio	132.3	129.5	128.0	119.0

Source: Fitch Ratings, Fitch Solutions, Rabobank

Support Assessment

Commercial Banks: Government Support	
Typical D-SIB GSR for sovereign's rating level (assuming high propensity)	a+ to a-
Actual jurisdiction D-SIB GSR	ns
Government Support Rating	ns
Government ability to support D-SIBs	
Sovereign Rating	AAA/ Stable
Size of banking system	Negative
Structure of banking system	Negative
Sovereign financial flexibility (for rating level)	Neutral
Government propensity to support D-SIBs	
Resolution legislation	Negative
Support stance	Negative
Government propensity to support bank	
Systemic importance	Neutral
Liability structure	Neutral
Ownership	Neutral

The colours indicate the weighting of each KRD in the assessment.
Higher influence Moderate influence Lower influence

Rabobank's Government Support Rating 'No Support' (ns) reflects Fitch's view that senior creditors cannot rely on receiving full extraordinary support from the sovereign in the event that the bank becomes non-viable. The EU's Bank Recovery and Resolution Directive and the Single Resolution Mechanism for eurozone banks provide a framework for resolving banks that requires senior creditors participating in losses, if necessary, instead of, or ahead of, a bank receiving sovereign support.

Environmental, Social and Governance Considerations

Overall ESG

5
4
3
2
1

How relevant are E, S and G issues to the overall credit rating?

5	Highly relevant, a key rating driver that has a significant impact on the rating on an individual basis. Equivalent to "higher" relative importance within Navigator.
4	Relevant to rating, not a key rating driver but has an impact on the rating in combination with other factors. Equivalent to "moderate" relative importance within Navigator.
3	Minimally relevant to rating, either very low impact or actively managed in a way that results in no impact on the entity rating. Equivalent to "lower" relative importance within Navigator.
2	Irrelevant to the entity rating but relevant to the sector.
1	Irrelevant to the entity rating and irrelevant to the sector.

Environmental (E)

General Issues	Score	Impact	Sector-Specific Issues	Reference
GHG Emissions & Air Quality	1		n.a.	n.a.
Energy Management	1		n.a.	n.a.
Water & Wastewater Management	1		n.a.	n.a.
Waste & Hazardous Materials Management; Ecological Impacts	1		n.a.	n.a.
Exposure to Environmental Impacts	3		Impact of extreme weather events on assets and/or operations and corresponding risk appetite & management; catastrophe risk; credit concentrations	Business Profile (incl. Management & governance); Risk Profile; Asset Quality

E Scale

5
4
3
2
1

Social (S)

General Issues	Score	Impact	Sector-Specific Issues	Reference
Human Rights, Community Relations, Access & Affordability	2		Services for underbanked and underserved communities: SME and community development programs; financial literacy programs	Business Profile (incl. Management & governance); Risk Profile
Customer Welfare - Fair Messaging, Privacy & Data Security	3		Compliance risks including fair lending practices, mis-selling, repossession/foreclosure practices, consumer data protection (data security)	Operating Environment; Business Profile (incl. Management & governance); Risk Profile
Labor Relations & Practices	2		Impact of labor negotiations, including board/employee compensation and composition	Business Profile (incl. Management & governance)
Employee Wellbeing	1		n.a.	n.a.
Exposure to Social Impacts	2		Shift in social or consumer preferences as a result of an institution's social positions, or social and/or political disapproval of core banking practices	Business Profile (incl. Management & governance); Financial Profile

S Scale

5
4
3
2
1

Governance (G)

General Issues	Score	Impact	Sector-Specific Issues	Reference
Management Strategy	3		Operational implementation of strategy	Business Profile (incl. Management & governance)
Governance Structure	3		Board independence and effectiveness; ownership concentration; protection of creditor/stakeholder rights; legal /compliance risks; business continuity; key person risk; related party transactions	Business Profile (incl. Management & governance); Earnings & Profitability; Capitalisation & Leverage
Group Structure	3		Organizational structure; appropriateness relative to business model; opacity; intra-group dynamics; ownership	Business Profile (incl. Management & governance)
Financial Transparency	3		Quality and frequency of financial reporting and auditing processes	Business Profile (incl. Management & governance)

G Scale

5
4
3
2
1

Rabobank has an ESG Relevance Score of '3' for Exposure to Environmental Impacts sub factor, instead of the standard score of '2' assigned to most European banks. The slightly different score at Rabobank reflects our opinion that physical climate and policy risks have a minimal impact on the bank's risk profile and asset quality given the bank's higher-than-peer exposure to the food & agriculture sector and strong presence in the Netherlands, a country highly sensitive to climate change risk.

Unless otherwise disclosed in this section, the highest level of ESG credit relevance is a score of '3'. This means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/esg.

The ratings above were solicited and assigned or maintained at the request of the rated entity/issuer or a related third party. Any exceptions follow below.