FitchRatings

Cooperatieve Rabobank U.A.

Key Rating Drivers

Capitalisation, Risk Appetite Support Ratings: Cooperatieve Rabobank U.A.'s ratings are underpinned by its solid capitalisation and its modest risk appetite, which we expect to remain central to the bank's strategy. The ratings are also supported by Rabobank's leading market position in Dutch retail banking, complemented by a solid franchise in the global food and agriculture (F&A) sectors, and its sound funding and liquidity profile.

Negative Outlook on Coronavirus Disruption: Fitch Ratings expects Rabobank's capitalisation to remain sufficiently robust to offset the likely deterioration of the bank's asset quality and earnings due to the economic shock from the pandemic. The Negative Outlook on the Long-Term Issuer Default Rating (IDR) reflects downside risks to this expectation from a potentially greater-than-expected or more permanent deterioration in asset quality, or delays to the recovery of profitability towards Rabobank's longer-term average levels.

Loan Quality Trend to Reverse: Rabobank's impaired loans/gross loans, as calculated by Fitch, improved to 3.3% at end-June 2020, and the bank's non-performing loans (NPLs) have been steadily declining in recent years. We expect this trend to reverse in the near term and for the bank's impaired loans ratio to go up materially as government support measures are wound down. At the same time, we do not expect a deterioration that would push Rabobank's four-year average impaired loans ratio materially above 4% in the next two years.

Earnings Pressure to Increase Further: Operating profit fell sharply in 1H20 to 0.4% of risk-weighted assets (RWAs) as loan impairment charges (LICs) surged and as non-interest revenues shrank. We expect Rabobank's operating profit to recover in 2021 but to remain below 1% of RWAs in both 2020 and 2021 as LICs are likely to remain elevated. However, we believe that with normalised LICs Rabobank will be able to generate operating profit of about 1.5% of RWAs even in a continued low-rate environment.

Capitalisation is a Rating Strength: Rabobank's common equity Tier 1 (CET1) ratio was a solid 16.6% at end-June 2020 and does not benefit from any transitional arrangements. In our base case, Rabobank's CET1 ratio will remain above 15% in 2020 and 2021 despite the likely RWA inflation from the ECB's Targeted Review of Internal Models and the increase in credit risk RWAs due to negative internal rating migrations. The Basel III leverage ratio (5.9% at end-June 2020) is also solid and compares well with peers.

Sound Liquidity: Rabobank's funding mix is diversified and benefits from the bank's strong deposit franchise in the Netherlands and sound access to the wholesale market. Liquidity is ample and the liquidity coverage ratio (LCR) increased to 160% at end-June 2020.

Rating Sensitivities

Extent, Duration of Shock: We would be likely to downgrade Rabobank's ratings if its CET1 ratio falls materially below 15% without a credible plan to restore it to this level while asset-quality and profitability challenges persist. A sharper-than-expected weakening of asset quality meaning that Rabobank's impaired loans ratio would remain above 4%, or setbacks to our expectation that Rabobank's operating profit/RWAs will be restored to about 1.5% by 2022, is also likely to lead to a downgrade.

Asset Quality, Earnings Resilience: The Outlook could be revised to Stable in case of a lesser-than-expected impact on Rabobank's asset quality and earnings, and if downside risks to our forecasts subside. The Outlook could also be revised to Stable if, following the initial shock, profitability recovers to its longer-term average level and impaired loans ratio returns to a firm downward trend.

Ratings

Long-Term IDR	A+
Short-Term IDR	F1
Viability Rating	a+
Support Rating	5
Support Rating Floor	NF
Derivative Counterparty Rating	AA-(dcr)
Sovereign Risk	
Long-Term Foreign- and Local-Currency IDRs	AAA
Country Ceiling	AAA
Outlooks	
Long-Term Foreign-Currency IDR	Negative
Sovereign Long-Term Foreign- and Local-Currency IDRs	Stable

Applicable Criteria

Bank Rating Criteria (February 2020)

Related Research

Fitch Downgrades Rabobank's IDR to 'A+', Outlook Negative; Affirms VR (September 2020)

Global Economic Outlook - September 2020 (September 2020)

Large European Banks Quarterly Credit Tracker - 2Q20 (September 2020)

Major Benelux Banks: 1H20 Results (September 2020)

Fitch Takes Rating Action on Seven Dutch Banks on Coronavirus Disruption (April 2020)

Financial Data

Cooperatieve Rabobank U.A.

	30 Jun 20	31 Dec 19
Total assets (USDm)	694,406.7	663,481.4
Total assets (EURm)	620,117.0	590,598.0
Total equity (EURm)	35,974.0	36,083.0

Source: Fitch Ratings

Analysts

Olivia Perney Guillot
+33 1 44 29 91 74
olivia.perney@fitchratings.com

Konstantin Yakimovich
+44 20 3530 1789
konstantin.yakimovich@fitchratings.com

Debt Rating Classes

Rating level	Rating
Deposits	AA-/F1+
Senior preferred debt	AA-/F1+
Senior non-preferred debt	A+
Tier 2 subordinated debt	A-
Additional Tier 1 notes and legacy Tier 1 debt	BBB

Source: Fitch Ratings

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 28.6% of RWAs. The bank has publicly stated that it intends to meet its MREL using subordinated and senior non-preferred (SNP) instruments only. At end-June 2020, the buffer of subordinated MREL eligible instruments (excluding senior preferred debt) was 29.8% of RWAs, and additional MREL issuance needs are low.

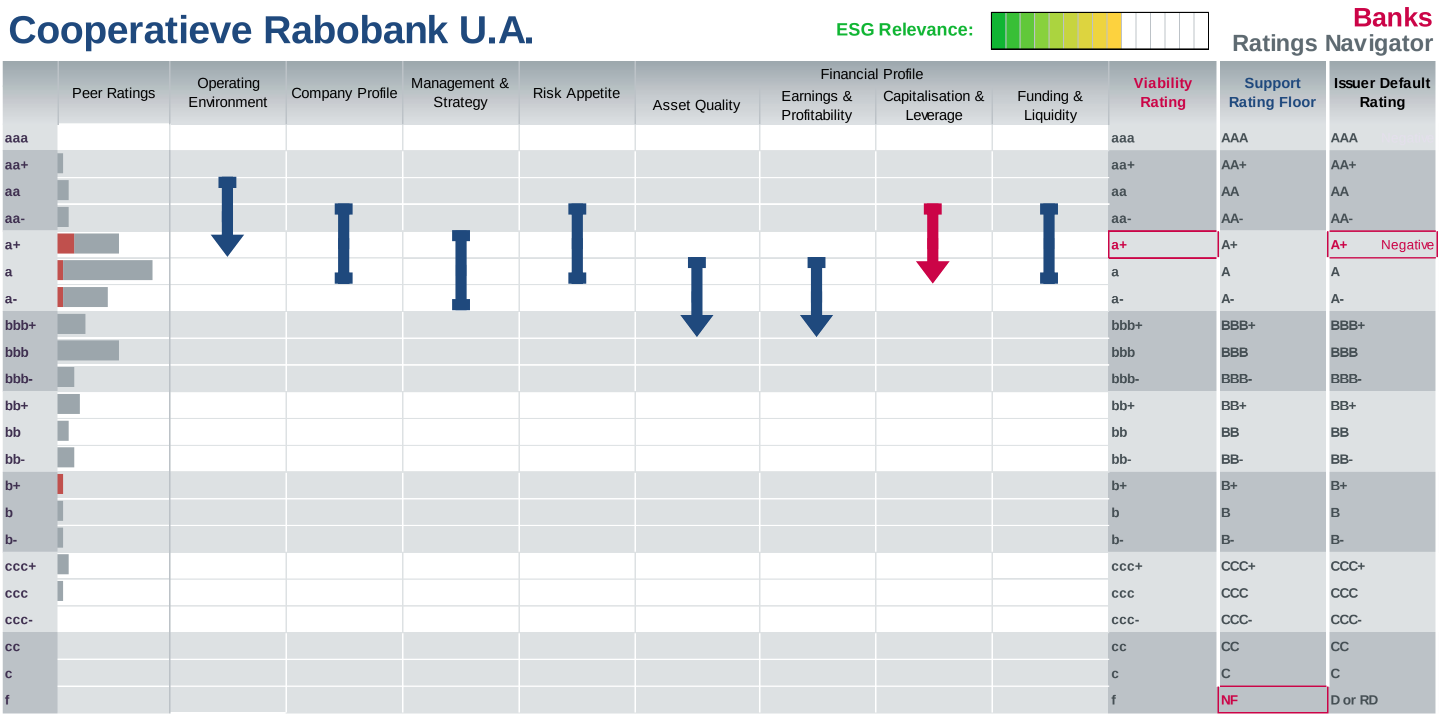
Short-term SP debt and deposit ratings of 'F1+' are the only short-term rating options mapping to the long-term ratings of 'AA-'.

SNP debt is rated at the same level as the Long-Term IDR as a default on SNP debt would in our view constitute a default of the bank.

Rabobank's subordinated Tier 2 debt is rated two notches below its Viability Rating (VR). This is in line with Fitch's baseline notching for loss severity for this type of debt as we do not expect Rabobank's buffer of Tier 2 and more junior debt to exceed 10% of RWAs on a sustained basis, which is required under our criteria to rate Tier 2 debt one notch below the VR.

Additional Tier 1 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 reflects the significant distance between the bank's CET1 ratio and mandatory coupon omission triggers.

Ratings Navigator



Significant Changes

Economic Shock from the Pandemic Puts Financial Profile Under Pressure

The weaker environment as a result of the coronavirus pandemic is likely to put pressure on Rabobank's asset quality and earnings, which we already view as rating weaknesses, and potentially capitalisation, which is a rating strength. The bank predominantly operates in the Netherlands but is exposed to other markets through its F&A portfolio. Fitch expects Dutch GDP to contract by 7.2% in 2020 before recovering by 4.1% in 2021 and 2.9% in 2022. Like other countries, the Dutch government has implemented wide-ranging support measures including loan guarantee schemes and a job subsidy programme, which has provided strong support to households during the crisis. Certain guarantee schemes and the job subsidy programme have been extended into 2021 under updated conditions. We expect the unemployment rate to rise but to remain below the 2014-2018 average levels.

In our base case, we do not expect Rabobank's four-year-average impaired loans ratio to materially exceed 4% in 2020-2021. This reflects our view that asset quality should be supported by the high share of low-risk domestic mortgage loans in the loan book and by the moderate exposure to sectors most affected by lockdowns and social distancing rules. At end-June 2020, exposure to transport, non-food retail, restaurants and leisure/entertainment was EUR17.5 billion or about 4% of total loans to the private sector.

Rabobank's focus on the F&A industry (about a quarter of total loans) may also lead to a lower than average impact on its asset quality. The exposure is highly diversified by subsector and geography. About a third of the exposure is domestic. Abroad, Rabobank lends to F&A corporates and traders, and finances large-scale industrialised farms, mainly in Australia, New Zealand and the US, with some exposures in Latin America. This industry is typically vulnerable to adverse weather but risks can be mitigated by lender expertise and diversification, which is the case for Rabobank. We generally do not expect companies in the food supply chains to suffer significant revenue declines due to the pandemic in 2020-2021.

Bar Chart Legend

Vertical bars – VR range of Rating Factor

Bar Colors – Influence on final VR

- Higher influence
- Moderate influence
- Lower influence

Bar Arrows – Rating Factor Outlook

- ⇧ Positive
- ⇩ Negative
- ⇳ Evolving
- ▫ Stable

Weaker asset quality increases pressure on earnings. LICs surged to EUR1.4 billion, or 69bp of average private-sector loans (annualised), in 1H20. About two-thirds of the charge related to macroeconomic forecast revisions, migrations to Stage 2 and management overlays. Rabobank expects LICs of EUR2 billion to EUR2.5 billion for 2020. We expect lower LICs in 2021, which should aid the recovery in operating profit, but do not expect them to return to normalised levels (20bp-25bp of average loans) and as a result we do not expect operating profit to exceed 1% of RWAs before 2022. At the same time, we expect persistent revenue pressure from low interest rates to be partly offset by structural cost savings from the efficiency programmes, which should aid the eventual recovery of operating profit/RWA to about 1.5% factored into the ratings.

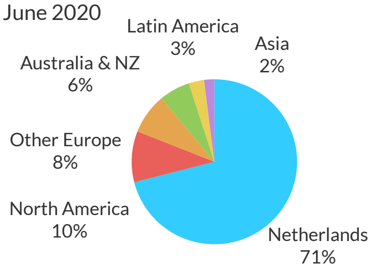
We expect pressure on capitalisation to come mainly from RWA inflation as we expect Rabobank to remain profitable in 2020-2021. The negative trends on asset quality, earnings and capitalisation scores, which drive the Negative Outlook on the Long-Term IDR, reflect downside risks to our baseline expectations, which would be exacerbated if the currently observed economic recovery slows due to a resurgence of the virus.

Long-Term IDR Is No Longer Notched Above the VR

The reference liability for Rabobank's Long-Term IDR is SNP debt. Until recently, the Long-Term IDR benefitted from a one notch uplift above Rabobank's VR due to protection offered to its senior creditors, including SNP debt, by its large buffer of qualifying junior debt (QJD, consisting of additional Tier 1 and Tier 2 instruments). The Long-Term IDR is now at the level of the bank's VR reflecting Fitch's view that Rabobank's QJD buffer will no longer sustainably exceed 10% of its RWAs, which is required under Fitch's criteria to maintain the uplift. At end-June 2020, Rabobank's QJD was 9.9% of RWAs, pro-forma for an additional Tier 1 issuance in early July. We expect the QJD buffer to remain substantial but to reduce over time as a percentage of RWAs given that the latter are likely to increase.

Private Sector Loans by Region

EUR415bn/67% of total assets at end-June 2020



Source: Fitch Ratings, Rabobank

Company Summary and Key Qualitative Assessment Factors

Strong Domestic Retail-Banking Franchise Supported by Cooperative Roots

Rabobank in its current legal form is the result of the merger of 106 local cooperative banks into the central institution of Rabobank Group in the beginning of 2016. Rabobank has a strong franchise in its main markets, the Dutch retail and SME segments, and the F&A sector globally. It has leading Dutch market shares in household savings (over 30%), residential mortgage loans (about 20%), SME lending (about 40%) and agricultural lending (about 85%). Its business model is geared towards traditional retail and commercial banking.

Focus on Food and Agriculture Financing Internationally

Rabobank is a leading financer of F&A domestically and abroad, and has a long record in the sector. F&A account for about a quarter of the bank's total net loans to the private sector. About two-thirds of F&A loans are granted internationally. Non-F&A international presence has been reducing, most recently with the sale of its retail banking subsidiary in the US (RNA) and of retail activities in Indonesia. However, Rabobank maintains some exposure to international corporates, including in trade and commodity finance.

Stable and Diverse Business Model

Net interest income (NII) dominates the bank's revenue and is complemented by net fees and commissions (15%-20% of revenue). Domestic retail banking is the main profit contributor for the bank. The contribution of wholesale and international rural business line, typically 20%-25% of total pre-tax profit, has been lower recently due to increased LICs. The balance mainly comprises the growing leasing business carried out through subsidiary DLL.

Experienced Management, Consistent Strategy

Fitch believes Rabobank's management has a high degree of depth and experience. The bank saw some senior management turnover in recent years. A new chief risk officer was appointed in February 2019 after the previous one spent less than three years in the role. The turnover is manageable, in our view. Corporate governance is generally effective across the group.

Rabobank's strategy is consistent, well-articulated and reflects long-term goals. Since the well-executed merger of the cooperative banks, Rabobank has focused on rationalising the business and reducing staff, which helped contain costs despite investments in digitalisation. The bank's near-term profitability targets have been revised downwards due to persistently low interest rates and weaker economic outlook but longer-term ambitions remained intact.

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. Risk controls are centralised and merging into one bank has strengthened this.

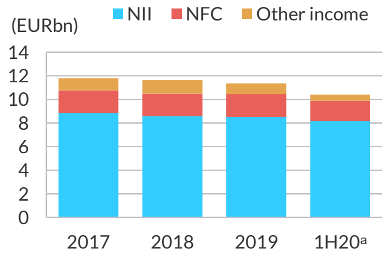
The bank has been working on strengthening its customer due diligence and transaction monitoring controls, similarly to other Dutch banks and given increased regulatory scrutiny. This is likely to require continued substantial investment in the near term.

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. At end-2019, earnings at risk were EUR34 million negative (below 1% of 2019 NII) in a scenario of a gradual 200bp decrease in interest rates, assuming a floor at -0.6%. The bank hedges its currency risk to minimise the impact of currency fluctuations on its CET1 ratio.

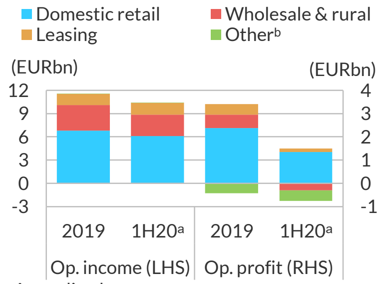
Market risk from customer-driven trading activities is low. The highest value-at-risk (one-day holding period/97.5% confidence) recorded in 2019 was EUR4.3 million. The most significant equity investment at end-June 2020 was the 29% stake in Achmea B.V (A/Stable), one of the leading Dutch insurance companies with cooperative roots. As part of the sale of RNA, Rabobank has also received a 9.9% in the buyer, California-based Mechanics Bank.

Operating Income Dominated by NII



[a] Annualised
Source: Rabobank, Fitch Ratings

Profitability by Segment



[a] Annualised
[b] Real estate, consolidation effects & other
Source: Fitch Ratings, Rabobank

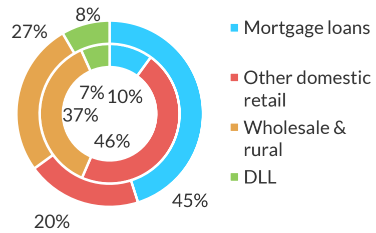
Financial Targets

(%)	2022 Target	LT Target	End-2019/ 2019[a]	End-June 2020/ 1H20[a]
CET1 ratio	>14	>14	16.3	16.6
ROE	6-7	>8	5.3	1.1
Cost/ income	low 60	mid 50	63.8	65.3

[a] As calculated by Rabobank
Source: Fitch Ratings, Rabobank

Private Sector Loan Book

End-June 2020
Outer: Net loans (EUR415bn)
Inner: NPLs (EUR14.8bn)



Source: Fitch Ratings, Rabobank

Summary Financials and Key Ratios

	30 Jun 20	30 Jun 20	31 Dec 19	31 Dec 18	31 Dec 17
	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	4,591	4,100	8,483	8,559	8,843
Net fees and commissions	946	845	1,989	1,931	1,915
Other operating income	299	267	1,070	1,411	1,262
Total operating income	5,836	5,212	11,542	11,901	12,020
Operating costs	3,789	3,384	7,599	7,924	8,249
Pre-impairment operating profit	2,047	1,828	3,943	3,977	3,771
Loan and other impairment charges	1,615	1,442	975	190	-169
Operating profit	432	386	2,968	3,787	3,940
Other non-operating items (net)	-21	-19	73	119	-308
Tax	157	140	838	902	958
Net income	254	227	2,203	3,004	2,674
Other comprehensive income	-219	-196	49	110	-1,544
Fitch comprehensive income	35	31	2,252	3,114	1,130
Summary balance sheet					
Assets					
Gross loans	482,835	431,180	430,894	427,397	425,163
- Of which impaired	16,135	14,409	15,090	15,993	18,315
Loan loss allowances	5,464	4,879	3,940	3,735	5,446
Net loans	477,372	426,301	426,954	423,662	419,717
Interbank	25,367	22,653	6,594	9,116	9,968
Derivatives	33,098	29,557	23,584	22,660	25,505
Other securities and earning assets	47,026	41,995	56,316	48,136	64,490
Total earning assets	582,862	520,506	513,448	503,574	519,680
Cash and due from banks	95,653	85,420	63,086	73,335	66,861
Other assets	15,891	14,191	14,064	13,528	16,450
Total assets	694,407	620,117	590,598	590,437	602,991
Liabilities					
Customer deposits	404,819	361,510	338,504	337,397	340,574
Interbank and other short-term funding	48,025	42,887	51,975	54,139	56,757
Other long-term funding	154,931	138,356	125,086	123,481	112,866
Trading liabilities and derivatives	33,454	29,875	24,473	24,327	42,476
Total funding	641,229	572,628	540,038	539,344	552,673
Other liabilities	8,667	7,740	9,213	8,857	10,708
Preference shares and hybrid capital	4,227	3,775	5,264	7,046	6,319
Total equity	40,284	35,974	36,083	35,190	33,291
Total liabilities and equity	694,407	620,117	590,598	590,437	602,991
Exchange rate		USD1 = EUR0.893017	USD1 = EUR0.89015	USD1 = EUR0.873057	USD1 = EUR0.83382

Source: Fitch Ratings, Fitch Solutions, Cooperatieve Rabobank U.A.

Summary Financials and Key Ratios

	30 Jun 20	31 Dec 19	31 Dec 18	31 Dec 17
Ratios (annualised as appropriate)				
Profitability				
Operating profit/risk-weighted assets	0.4	1.4	1.9	2.0
Net interest income/average earning assets	1.6	1.7	1.7	1.6
Non-interest expense/gross revenue	65.1	67.0	68.0	70.1
Net income/average equity	1.3	6.2	8.8	8.1
Asset quality				
Impaired loans ratio	3.3	3.5	3.7	4.3
Growth in gross loans	0.1	0.8	0.5	-4.3
Loan loss allowances/impaired loans	33.9	26.1	23.4	29.7
Loan impairment charges/average gross loans	0.7	0.2	0.1	0.0
Capitalisation				
Common equity Tier 1 ratio	16.6	16.3	16.0	15.8
Fully loaded common equity Tier 1 ratio	16.6	16.3	16.0	15.5
Tangible common equity/tangible assets	5.6	5.9	5.8	5.3
Basel leverage ratio	5.9	6.3	6.4	6.0
Net impaired loans/common equity Tier 1	27.9	33.2	38.2	41.2
Funding and liquidity				
Loans/customer deposits	119.3	127.3	126.7	124.8
Liquidity coverage ratio	160.0	132.0	135.0	123.0
Customer deposits/funding	66.1	64.9	64.6	64.2
Net stable funding ratio	124.0	119.0	119.0	119.0

Source: Fitch Ratings, Fitch Solutions, Cooperatieve Rabobank U.A.

Key Financial Metrics – Latest Developments

Improving Asset-Quality Trend Set to Reverse

Rabobank's customer loan book represents about two-thirds of the bank's total assets. Impaired loans (Stage 3 loans to customers under IFRS) decreased to 3.3% of gross loans at end-June 2020 (as calculated by Fitch, including loans to the public sector but excluding reverse repos) from 3.5% at end-2019. We believe Rabobank's definition of non-performance is conservative, as only 22% of its NPLs were more than 90 days past due at end-2019. The stock of NPLs has been steadily declining, and the pace of reduction has accelerated as the bank has taken a more active approach to NPL management in anticipation of provisioning backstop regulation and supervisory expectations on NPL coverage.

As an indication of the upcoming stress in the loan book due to the economic fallout from the pandemic, Stage 2 loans more than doubled in 1H20 to 9.9% of gross loans. Our view of Rabobank's asset quality is underpinned by a large share of low-risk mortgage loans on its balance sheet, which we expect to perform well under stress given moderate expected increase in unemployment, strong payment culture and tight underwriting, and by the very high quality of its non-loan assets. Specific coverage of Stage 3 loans (23% at end-June 2020) is low relative to peers and reflects the highly secured nature of the loan book, but exposes Rabobank to fluctuations in collateral values.

Profitability Challenged by Low Interest Rates, Rising LICs

Rabobank's profitability has benefitted in recent years from exceptionally low LICs although it remained below that of similarly rated peers as measured by the operating profit/RWAs ratio. Rabobank has been narrowing the gap through an ambitious restructuring programme and strengthened pricing discipline throughout the group.

The outlook on Rabobank's profitabiltiy, which was already under pressure from low interest rates, has further weakened. We expect revenue to remain challenged as interest rates are unlikely to increase, although the pressure on NII may be partly offset by lowering the threshold above which retail deposits are charged negative rates. LICs are likely to remain above the long-term average in 2020-2021. We expect the bank to continue to pursue structural cost savings although the need to maintain investments in digitalisation, as well as costs related to improvements in customer due diligence controls, suggest that a further significant reduction of the cost base is unlikely in the near term.

Solid Capitalisation Is a Key Rating Strength

Rabobank's capital and leverage ratios compare well with similarly rated peers. We expect the bank's CET1 to remain well above the bank's 14% ambition and the regulatory requirement, which was lowered to 10%, despite the expected RWA inflation from regulatory changes and internal rating migrations. The regulatory changes front-load the impact of the Basel III end-game rules, which indicatively will result in an increase of RWAs of 25%-28%, although Rabobank believes mitigating measures could lower this to below 25%. We believe the impact to be mangeable since the implementation of the new rules has been postponed to 2023 and in light of Rabobank's ability to execute mitigating measures demonstrated in recent years.

Reduced Reliance on Wholesale Funding; Prudent Liquidity

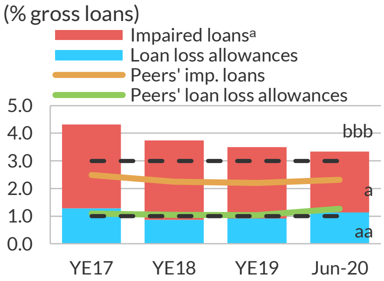
Customer deposits are Rabobank's main funding source and the bank has a strong franchise in the Netherlands. The bank has benefitted from a significant deposits inflow in 1H20 as customer spending fell. Rabobank maintains some reliance on wholesale funding although this has reduced in recent years as its balance sheet shrank. The bank enjoys sound market access in various instruments and currencies. Rabobank has issued covered bonds and securitised parts of it leasing portfolio since 2017, in addition to outstanding RMBS. However, it overall makes limited use of secured funding, and its asset encumbrance is low (12% at end-2019). The bank has also particpated in ECB's TLTRO III for EUR20 billion.

Liquid assets (EUR134 billion at end-June 2020, including about EUR30 billion of retained RMBS/covered bonds) are of high quality, mainly consisting of cash with central banks, and comfortably cover short-term debt and upcoming long-term debt maturities. The LCR and the net stable funding ratio (124% at end-June 2020) have improved in 1H20 and we expect them to remain elevated in the near term given Rabobank's cautious liquidity management.

Black dashed lines in the charts represent indicative quantitative ranges and corresponding implied scores for Fitch's core financial metrics for banks operating in the environments that Fitch scores in the 'aa' category.

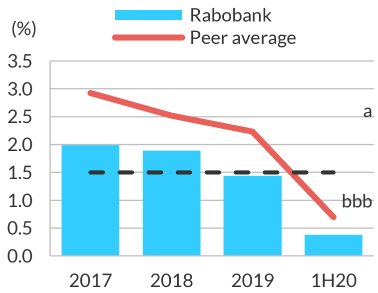
Peer average includes Cooperatieve Rabobank U.A. (VR: 'a+'), Nordea Bank Abp (aa-), Swedbank AB (a+), Lloyds Banking Group plc (a), Credit Agricole (a+), ING Groep N.V. (a+), Groupe BPCE (a+) and ABN AMRO Bank N.V. (a)

Asset Quality



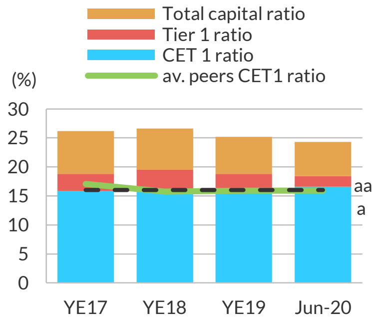
[a] Stage 3 loans to customers from YE19, NPLs for prior periods
Source: Fitch Ratings

Operating Profit/RWA



Source: Fitch Ratings, banks

Risk-Weighted Capital Ratios



Source: Fitch Ratings, banks

Sovereign Support Assessment

Support Rating Floor			Value
Typical D-SIB SRF for sovereign's rating level (assuming high propensity)			A+ to A-
Actual country D-SIB SRF			NF
Support Rating Floor:			**NF**
Support Factors	**Positive**	**Neutral**	**Negative**
Sovereign ability to support system			
Size of banking system relative to economy			✓
Size of potential problem	✓		
Structure of banking system			✓
Liability structure of banking system		✓	
Sovereign financial flexibility (for rating level)		✓	
Sovereign propensity to support system			
Resolution legislation with senior debt bail-in			✓
Track record of banking sector support		✓	
Government statements of support			✓
Sovereign propensity to support bank			
Systemic importance		✓	
Liability structure of bank		✓	
Ownership		✓	
Specifics of bank failure		✓	
Policy banks			
Policy role			
Funding guarantees and legal status			
Government ownership			

In Fitch's view, legislative, regulatory and policy initiatives, including the implementation of the Bank Recovery and Resolution Directive, have substantially reduced the likelihood of sovereign support for EU commercial banks in general. The bank's Support Rating of '5' and Support Rating Floor of 'No Floor' imply that, despite Rabobank's systemic importance, it is likely that senior creditors will be required to participate in losses, if necessary, instead of, or ahead of, the bank receiving sovereign support. Although possible, sovereign support cannot be relied upon.

Environmental, Social and Governance Considerations

The highest level of ESG credit relevance for Rabobank is a score of '3'. This means that ESG issues are credit neutral or have only a minimal credit impact on Rabobank, either due to their nature or to the way in which they are being managed by Rabobank. For more information on our ESG Relevance Scores, visit www.fitchratings.com/esg.

FitchRatings **Cooperatieve Rabobank U.A.** Banks Ratings Navigator

Credit-Relevant ESG Derivation

Cooperatieve Rabobank U.A. has 5 ESG potential rating drivers

- Cooperatieve Rabobank U.A. has exposure to compliance risks including fair lending practices, mis-selling, repossession/foreclosure practices, consumer data protection (data security) but this has very low impact on the rating.
- Governance is minimally relevant to the rating and is not currently a driver.

			Overall ESG Scale
key driver	0	issues	5
driver	0	issues	4
potential driver	5	issues	3
not a rating driver	4	issues	2
	5	issues	1

Environmental (E)

General Issues	E Score	Sector-Specific Issues	Reference	E Scale
GHG Emissions & Air Quality	1	n.a.	n.a.	5
Energy Management	1	n.a.	n.a.	4
Water & Wastewater Management	1	n.a.	n.a.	3
Waste & Hazardous Materials Management; Ecological Impacts	1	n.a.	n.a.	2
Exposure to Environmental Impacts	2	Impact of extreme weather events on assets and/or operations and corresponding risk appetite & management; catastrophe risk; credit concentrations	Company Profile; Management & Strategy; Risk Appetite; Asset Quality	1

Social (S)

General Issues	S Score	Sector-Specific Issues	Reference	S Scale
Human Rights, Community Relations, Access & Affordability	2	Services for underbanked and underserved communities: SME and community development programs; financial literacy programs	Company Profile; Management & Strategy; Risk Appetite	5
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; Company Profile; Management & Strategy; Risk Appetite	4
Labor Relations & Practices	2	Impact of labor negotiations, including board/employee compensation and composition	Company Profile; Management & Strategy	3
Employee Wellbeing	1	n.a.	n.a.	2
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	Company Profile; Financial Profile	1

Governance (G)

General Issues	G Score	Sector-Specific Issues	Reference	G Scale
Management Strategy	3	Operational implementation of strategy	Management & Strategy	5
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	Management & Strategy; Earnings & Profitability; Capitalisation & Leverage	4
Group Structure	3	Organizational structure; appropriateness relative to business model; opacity; intra-group dynamics; ownership	Company Profile	3
Financial Transparency	3	Quality and frequency of financial reporting and auditing processes	Management & Strategy	2
				1

How to Read This Page
ESG scores range from 1 to 5 based on a 15-level color gradation. Red (5) is most relevant and green (1) is least relevant.

The Environmental (E), Social (S) and Governance (G) tables break out the individual components of the scale. The right-hand box shows the aggregate E, S, or G score. General Issues are relevant across all markets with Sector-Specific Issues unique to a particular industry group. Scores are assigned to each sector-specific issue. These scores signify the credit-relevance of the sector-specific issues to the issuing entity's overall credit rating. The Reference box highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis.

The Credit-Relevant ESG Derivation table shows the overall ESG score. This score signifies the credit relevance of combined E, S and G issues to the entity's credit rating. The three columns to the left of the overall ESG score summarize the issuing entity's sub-component ESG scores. The box on the far left identifies some of the main ESG issues that are drivers or potential drivers of the issuing entity's credit rating (corresponding with scores of 3, 4 or 5) and provides a brief explanation for the score.

Classification of ESG issues has been developed from Fitch's sector ratings criteria. The General Issues and Sector-Specific Issues draw on the classification standards published by the United Nations Principles for Responsible Investing (PRI) and the Sustainability Accounting Standards Board(SASB).

Sector references in the scale definitions below refer to Sector as displayed in the Sector Details box on page 1 of the navigator.

CREDIT-RELEVANT ESG SCALE

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.

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.