FitchRatings

Cooperatieve Rabobank U.A.

Banks
Universal Commercial Banks
Netherlands

Key Rating Drivers

Strong Business and Risk Profiles: Cooperatieve Rabobank U.A.'s ratings are underpinned by its leading market position in the Netherlands, complemented by a solid franchise in global food and agriculture, a conservative risk profile, strong capitalisation and diversified funding.

Leading Domestic Franchise: Rabobank is a cooperative bank operating mainly a traditional retail and commercial banking business model in retail and SME banking in the Netherlands. Its business profile is supported by good international diversification, mainly leveraging on its expertise in farming and agribusiness globally.

Conservative Risk Profile: Rabobank's low risk appetite, conservative capital and liquidity management, and prudent underwriting are rating strengths. The bank's underwriting standards benefit from its focus on sectors and products where it has extensive expertise.

Resilient Asset Quality: A large exposure to low-risk and well-performing Dutch residential mortgage loans, and well-collateralised SME and corporate lending support asset quality. Following a more active approach to workouts 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 the other large Dutch banks. Fitch Ratings expects the ratio to deteriorate slightly over the next 18 months, but to remain sound at about 2%, which would be better than the European average.

Adequate Profitability: Rabobank has a good record of generating adequate profitability, although, until recently, its cost efficiency has generally been weaker than similarly rated peers. Its sound earnings generation is underpinned by its leading domestic and food and agriculture franchises. The bank is benefiting strongly from higher interest rates, leading to an 2.8% annualised operating profit/risk-weighted assets (RWAs) in 1H23, despite higher RWA density than peers. We expect the bank to maintain this ratio above 2% over the next 18 months.

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 300bp above minimum capital requirements as of May 2024. We expect the bank's CET1 ratio to remain comfortably above its medium-term target over the next two years (16.7% at end-June 2023).

Diversified Funding, Conservative Liquidity: Rabobank's funding mix is diversified. It benefits from a 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 wholesale markets in several currencies and tenors, prudent liquidity management and an ample liquidity buffer.

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 (Netherlands)	
Long-Term Foreign-Currency IDR	AAA
Long-Term Local-Currency IDR	AAA
Country Ceiling	AAA
Outlooks	
Long-Term Foreign-Currency IDR	Stable
Sovereign Long-Term Foreign-Currency IDR	Stable
Sovereign Long-Term Local-Currency IDR	Stable

Applicable Criteria

Bank Rating Criteria (September 2023)

Related Research

Fitch Affirms Rabobank at 'A+'; Outlook Stable (October 2023)

Netherlands (August 2023)

Global Economic Outlook (September 2023)

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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 or failure to durably maintain 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 ratio consistently above 2.5%, reduces its impaired loans ratio to 1% or lower, and is expected to sustainably maintain its CET1 ratio above 16%.

Other Debt and Issuer Ratings

Rating Level	Rating
Deposits	AA-/F1+
Senior Preferred debt	AA-/F1+
Senior Non-Preferred debt	A+
Subordinated Tier 2 debt	A-
Additional Tier 1 instruments	BBB

Source: Fitch Ratings

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.

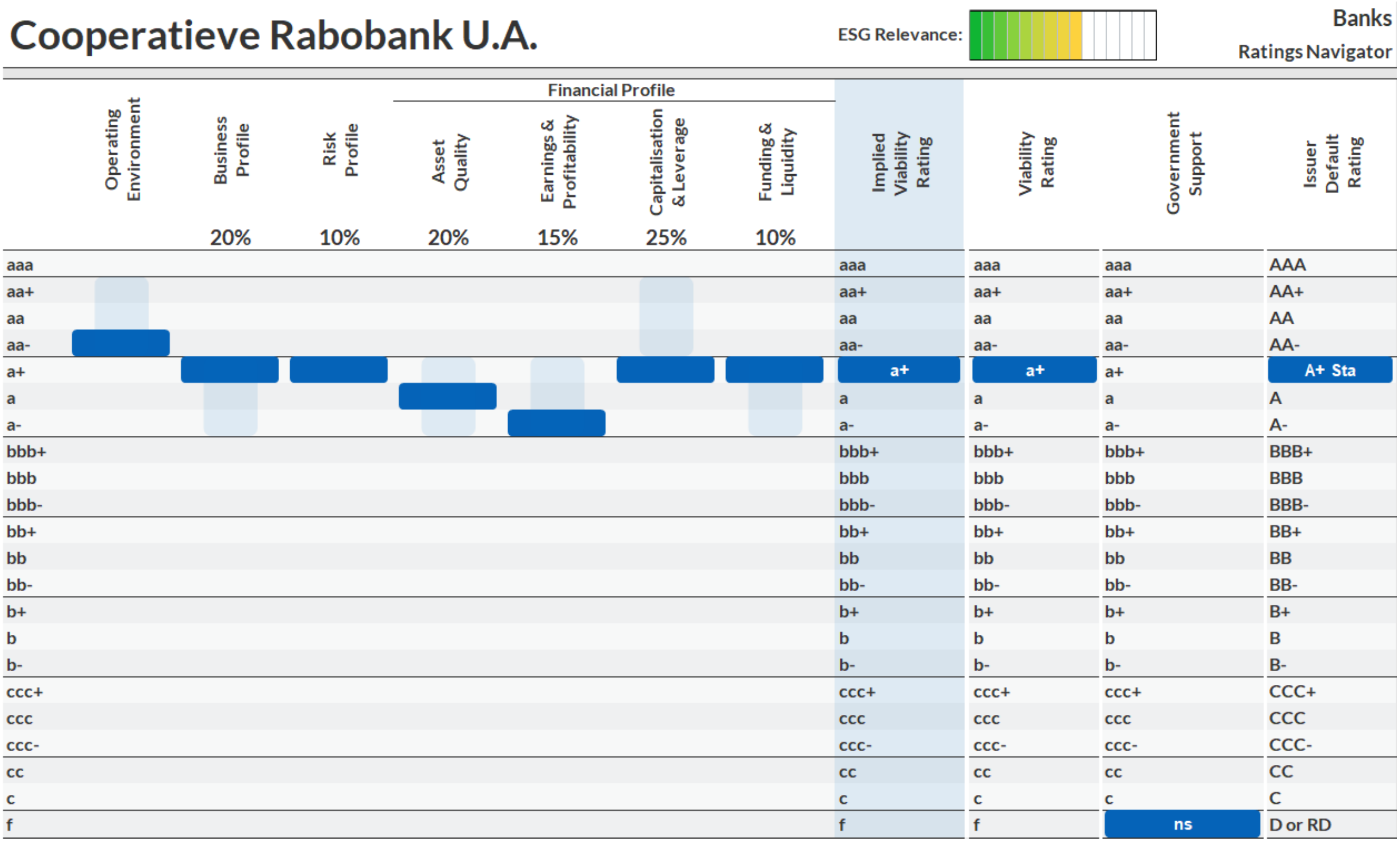
Rabobank's Derivative Counterparty Rating (DCR) and long-term senior preferred debt and deposit ratings are one notch above the bank's Long-Term IDR. This reflects the protection offered to senior preferred creditors by the resolution buffers made of equity and more junior debt. Rabobank is subject to the minimum requirement for own funds and eligible liabilities (MREL), with a binding requirement of 29.1% of RWAs from 1 January 2024. The bank has publicly stated that it intends to meet its MREL using subordinated and senior non-preferred instruments only. For the same reasons, we rate Rabobank's senior non-preferred debt at 'A+', in line with the Long-Term IDR.

Rabobank's short-term deposits and short-term senior preferred debt are rated 'F1+', which is the only short-term rating that maps to the 'AA-' long-term rating for these debt classes.

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 as Fitch expects recoveries to be poor for this type of debt in the event of default or non-performance of the bank.

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

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 capitalisation score of 'a+' has been assigned below the 'aa' implied category score due to the following adjustment reasons: capital flexibility and ordinary support (negative).

Company Summary and Key Qualitative Factors

Operating Environment

Weaker Economic Growth but Resilient Environment for Banks

The Dutch economy started to slowdown in 1Q23 from a cyclical peak. Fitch expects Dutch GDP growth to weaken significantly to 1.1% in 2023 and 1.4% in 2024, following strong 4.4% growth in 2022. Prolonged high inflation has eroded households' real income and dampened confidence, and tighter financing conditions have quickly led to an adjustment in the housing market. We continue to see a risk of moderate pressure on banks' asset quality, mainly stemming from the most vulnerable SME and corporate borrowers.

Business Profile

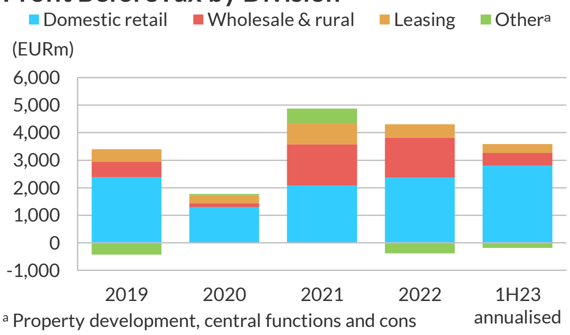
Rabobank is one of the three leading banks in the Netherlands, benefitting from very strong franchises in the Dutch retail and SME segments, and has a well-entrenched global franchise in the food and agriculture sector. Rabobank has leading Dutch market shares in household savings (about 35% at end-June 2023), residential mortgage loans (about 19% of new production in 1H23), SME lending (about 40%) and agricultural lending (about 85%). The bank has a long track record as a leading financer of food and agriculture, which. accounts for about a quarter of the bank's net loans.

Net interest income dominates the bank's revenue and, at about 75% of total operating income, is high by European standards. Domestic retail banking is the main profit contributor, with wholesale and international rural business line accounting for about 25% of Rabobank's pre-tax profit. The balance mainly comprises the growing leasing business conducted through its subsidiary De Lage Landen (DLL).

Rabobank has strong cooperative roots, combined with a low risk appetite and a strong focus on sustainability. Its strategy is consistent, well-articulated and reflects long-term goals aimed at consolidating its strong franchises in the Netherlands and in global food and agriculture. Higher interest rates led to an upward revision of the bank's financial targets, including a cost/income ratio of about 55% and a return on equity of above 8%, both met in 1H23, driven by the strong rise in net interest income.

The bank expects to achieve at least EUR600 million gross cost savings from its WIM programme by 2024, of which about EUR430 million were already achieved at end-2022, including through staff reductions. However, costs will be higher in 2023 due to additional staff in anti-money laundering (AML) and compliance areas and IT investments, including digitalisation.

Profit BeforeTax by Division



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

Financial Targets

(%)	Target 2027	End-June or 1H23
CET1 ratio	>14	16.7
Return on equity	>8	10.7
Cost/income	c.55	51.3

Actual as calculated by the bank, CET1 fully loaded Basel III end-game target
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 tend to be standardised and focus on affordability, including under stressed interest rate levels, and are low-risk.

Investigation on AML Control Failings

Rabobank, like other Dutch banks, has been working on strengthening its customer due diligence and transaction monitoring controls, given increased regulatory scrutiny. The bank is currently subject to an investigation by the Dutch public prosecutor's office in relation to alleged violation of the Dutch Anti-Money Laundering (AML) and Anti-

Terrorist Financing Act. This is in addition to the instruction given by the Dutch central bank (DNB) to remedy deficiencies in its Dutch retail divisions by end-2024.

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 AML regulation. Rabobank has invested substantially in improving its KYC framework, with staff dedicated to Financial Economic Crime activities increasing in 1H23 to about 7,800 full-time equivalents.

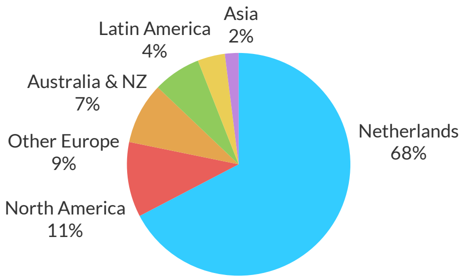
Rabobank is also under investigation by the European Commission on a potential breach of EU antitrust rules in relation to trading certain bonds in the secondary market between 2005 and 2016.

Modest Market Risk from Interest Rate Risk in the Banking Book

Rabobank's structural interest rate risk is controlled and managed using earnings at risk measures and modified duration of equity, complemented by regular scenario analysis. The banking book is hedged by means of interest rate swaps. Earnings at risk rose markedly in the past 18 months, driven by the sharp increase in interest rates (minus EUR874 million at end-2022, compared to minus EUR33 million at end-2021).

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 2022 was a low EUR8.9 million. The most important equity investment is the 31% stake in Achmea B.V. (A/Stable), one of the leading Dutch insurance companies, which also has cooperative roots.

Private Sector Loans by Region
EUR433bn at end-June 2023



Source: Fitch Ratings, Rabobank

Financial Profile

Asset Quality

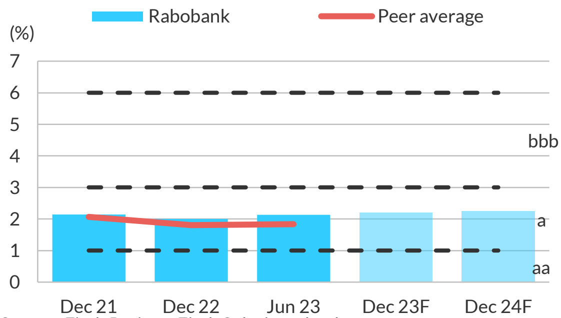
Rabobank's main source of credit risk stems from its customer loan book, which represents about two-thirds of its assets. Its impaired loans ratio (as calculated by Fitch) stabilised at about 2% in the past two years, driven by limited inflows in impaired loans and active problem loan workout management. Specific coverage of Stage 3 loans (21% at end-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, although this exposes the bank to fluctuations in collateral values.

We expect some increase in impaired loans because of the weakening economic environment, in line with rising defaults from business clients in 1H23, although these are still at relatively low levels. The impact on Rabobank's asset quality should be cushioned by its high exposure to resilient Dutch residential mortgage loans, and by contained aggregate exposure to the sectors most vulnerable to current economic challenges.

Exposure to vulnerable sectors, including the Dutch livestock industry, non-food retail, some sub-sectors of construction and leveraged finance, accounted for a relatively small 3% of loans at end-June 2023. The commercial real estate portfolio (EUR21 billion at end-June 2023) was essentially Dutch, with a Stage 3 ratio of 2.6%, while the high level of fixed-rate loans (71%) mitigates downside risks to asset quality from rising interest rates.

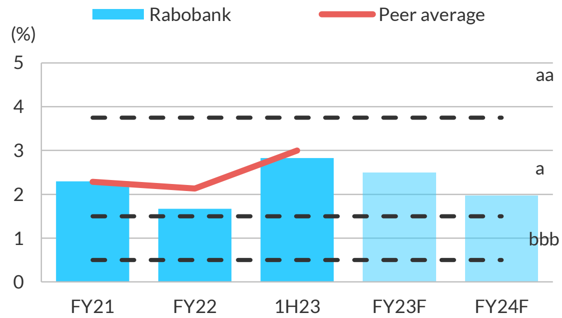
Exposure to the food and agricultural industry accounts for about a quarter of total loans, which is considerably higher than for most domestic and international peers. While the sector is inherently more volatile, exposed to weather conditions and commodity prices, companies in the food supply chain have been resilient. However, a large part of the bank's Stage 2 loans consists of its exposure to the local agricultural exposure, particularly livestock, from the government's plan to cut nitrogen emissions and without incorporating the mitigating effect of the large, public-support package to the affected sectors.

Impaired Loans/Gross Loans



Source: Fitch Ratings, Fitch Solutions, banks

Operating Profit/Risk-Weighted Assets



Source: Fitch Ratings, Fitch Solutions, banks

Earnings and Profitability

Rabobank's structural profitability has improved thanks to its restructuring programme and strengthened pricing discipline. This, combined with low loan-impairment charges (LICs) from its lower-than-peers risk profile, has allowed it to narrow the gap with peers' performance. The bank benefited strongly from higher deposit margins in 1H23, which more than offset higher costs and a modest increase in LICs. Rabobank's operating profit/RWAs, at 2.8% in 1H23, probably reached a peak.

We expect continued cost pressure and modest asset quality deterioration in 2H23 to result in a slight deterioration. Overall, we expect the ratio to remain above 2%, above its long-term average, over the next 18 months, due to the higher interest rate environment.

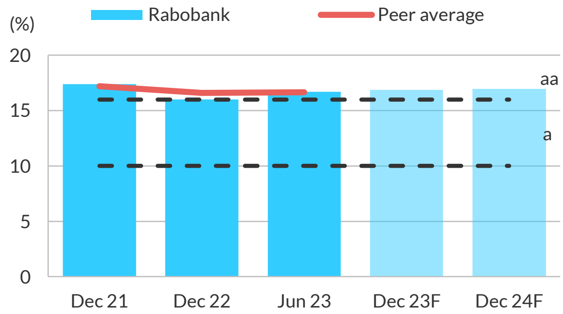
The 33% increase in net interest income boosted Rabobank's 1H23 results. Higher deposit margins in the domestic business more than offset further margin pressure in mortgage and business lending. Fee income declined slightly, partly due to lower loan demand. The picture was mixed on costs, with a strong increase in staff costs, from wage inflation and further hiring in financial crime and IT, which has only been partly mitigated by a reduction in other administrative costs. However, the cost level in 1H23 was similar to 2H22's.

Capital and Leverage

Rabobank's strong CET1 ratio reflects prudent capital management. The ratio remains strong, despite the implementation of risk-weight floors on Dutch residential mortgage loans in 2022, effectively front-loading most of the final Basel III end-game impacts. Rabobank's RWA density increased to about 38%, a level somewhat higher than peers. We expect Rabobank's CET1 ratio will remain above 16% in 2023-2024, supported by relatively high profit retention in line with its cooperative structure and higher profits, which should offset an increase in RWA from potentially negative rating migrations.

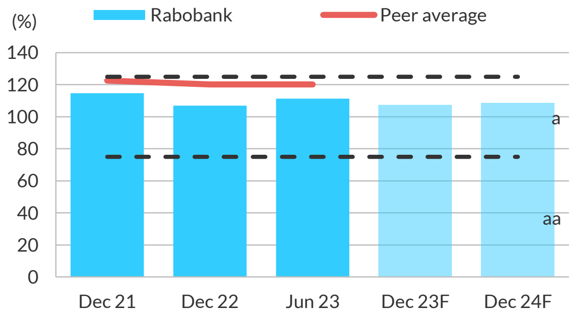
The bank does not expect further RWA increases from the Basel III end-game implementation. The bank's regulatory leverage ratio of 6.8% at end-June 2023 compares favourably with peers. Capital encumbrance by unreserved impaired loans is modest but remains above peers, reflecting lower impaired loan reserve coverage.

CET1 Ratio



Source: Fitch Ratings, Fitch Solutions, banks

Gross Loans/Customer Deposits



Source: Fitch Ratings, Fitch Solutions, banks

Funding and Liquidity

Customer deposits account for about 65% of Rabobank's funding. Deposits are very granular, sourced principally in the Netherlands where the bank has a well-entrenched retail and SME franchise. Its customer loans/deposits should remain at about 110%-120%, driven by low loan growth and flattish or marginally lower deposits (as experienced in 1H23). Business clients used deposits to reduce debt while retail customers increased their savings. Household customers are starting to move from current accounts to savings and term deposits.

The 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. Rabobank has diversified its wholesale funding profile and access to the debt markets in various instruments and currencies. Its participation in the ECB's targeted long-term refinancing operations (TLTRO III) has reduced to EUR15 billion at end-June 2023, to be repaid in 1H24.

The bank's high-quality liquid assets account for about 20% of total assets (EUR127 billion at end-June 2023), consisting mainly of cash with central banks. Liquid assets comfortably cover short-term debt and upcoming long-term debt maturities. Excluding the TLTRO funding, the liquidity coverage ratio would be at 149% at end-June 2023. The net stable funding ratio remained stable, at about 130%, over the last 18 months. Both ratios are far above minimum requirements.

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+), Danske Bank A/S (a+), Nordea Bank Abp (aa-), Credit Agricole (a+), Credit Mutuel Alliance Federale (a+ based on Groupe Credit Mutuel).

Financials

Summary Financials

	30 June 2023		31 December 2022	31 December 2021	31 December 2020
	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	6,310	5,807	9,149	8,351	7,997
Net fees and commissions	1,094	1,007	2,106	2,008	1,780
Other operating income	943	868	816	1,802	986
Total operating income	8,347	7,682	12,071	12,161	10,763
Operating costs	4,283	3,942	7,716	7,766	7,090
Pre-impairment operating profit	4,064	3,740	4,355	4,395	3,673
Loan and other impairment charges	368	339	344	-474	1,913
Operating profit	3,696	3,401	4,011	4,869	1,760
Other non-operating items (net)	n.a.	n.a.	-92	8	-264
Tax	949	873	1,133	1,185	400
Net income	2,747	2,528	2,786	3,692	1,096
Other comprehensive income	-170	-156	-61	378	-663
Fitch comprehensive income	2,577	2,372	2,725	4,070	433
Summary balance sheet					
Assets					
Gross loans	477,531	439,473	423,224	426,064	423,527
- Of which impaired	10,153	9,344	8,462	9,118	13,507
Loan loss allowances	3,216	2,960	2,862	3,497	4,700
Net loans	474,315	436,513	420,362	422,567	418,827
Interbank	21,467	19,756	5,975	5,475	5,580
Derivatives	26,079	24,001	26,865	22,971	29,638
Other securities and earning assets	22,156	20,390	32,425	51,744	57,535
Total earning assets	544,017	500,660	485,627	502,757	511,580
Cash and due from banks	126,957	116,839	129,580	120,533	108,466
Other assets	13,804	12,704	13,306	16,285	12,212
Total assets	684,778	630,203	628,513	639,575	632,258
Liabilities					
Customer deposits	428,933	394,748	395,847	371,504	360,478
Interbank and other short-term funding	38,604	35,527	71,372	99,592	84,873
Other long-term funding	137,862	126,875	85,798	96,349	108,228
Trading liabilities and derivatives	20,688	19,039	21,741	20,129	29,400
Total funding and derivatives	626,087	576,189	574,758	587,574	582,979
Other liabilities	6,115	5,628	7,397	8,599	8,647
Preference shares and hybrid capital	5,401	4,971	4,971	3,978	4,482
Total equity	47,175	43,415	41,387	39,424	36,150
Total liabilities and equity	684,778	630,203	628,513	639,575	632,258
Exchange rate		USD1 = EUR0.920302	USD1 = EUR0.937559	USD1 = EUR0.884173	USD1 = EUR0.821963

Source: Fitch Ratings, Fitch Solutions, Rabobank

Key Ratios

	30 June 2023	31 December 2022	31 December 2021	31 December 2020
Ratios (%; annualised as appropriate)				
Profitability				
Operating profit/risk-weighted assets	2.8	1.7	2.3	0.9
Net interest income/average earning assets	2.4	1.8	1.6	1.6
Non-interest expense/gross revenue	52.0	64.5	65.7	67.0
Net income/average equity	12.0	6.9	9.7	3.0
Asset quality				
Impaired loans ratio	2.1	2.0	2.1	3.2
Growth in gross loans	3.8	-0.7	0.6	-1.7
Loan loss allowances/impaired loans	31.7	33.8	38.4	34.8
Loan impairment charges/average gross loans	0.2	0.1	-0.1	0.5
Capitalisation				
Fully loaded common equity Tier 1 ratio	16.7	16.0	17.4	16.8
Tangible common equity/tangible assets	6.7	6.4	6.0	5.6
Basel leverage ratio	6.8	6.6	7.3	7.0
Net impaired loans/common equity Tier 1 capital	15.8	14.6	15.3	25.4
Funding and liquidity				
Gross loans/customer deposits	111.3	106.9	114.7	117.5
Liquidity coverage ratio	165.6	173.5	184.0	193.0
Customer deposits/total non-equity funding	69.9	70.8	64.9	64.5
Net stable funding ratio	133.6	130.7	129.5	128.0

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

No Support In the Ratings

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

FitchRatings **Cooperatieve Rabobank U.A.**

Banks
Ratings Navigator

Credit-Relevant ESG Derivation

Cooperatieve Rabobank U.A. has 6 ESG potential rating drivers

- Cooperatieve Rabobank U.A. has exposure to impact of extreme weather events on assets and/or operations and corresponding risk appetite & management; catastrophe risk; credit concentrations but this has very low impact on the rating.
- 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.

			ESG Relevance to Credit Rating
key driver	0	issues	5
driver	0	issues	4
potential driver	6	issues	3
not a rating driver	3	issues	2
	5	issues	1

Environmental (E) Relevance Scores

General Issues	E Score	Sector-Specific Issues	Reference	E Relevance
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	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	1

Social (S) Relevance Scores

General Issues	S Score	Sector-Specific Issues	Reference	S Relevance
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	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; Business Profile (incl. Management & governance); Risk Profile	4
Labor Relations & Practices	2	Impact of labor negotiations, including board/employee compensation and composition	Business Profile (incl. Management & governance)	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	Business Profile (incl. Management & governance); Financial Profile	1

Governance (G) Relevance Scores

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

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

The Environmental (E), Social (S) and Governance (G) tables break out the ESG general issues and the sector-specific issues that are most relevant to each industry group. Relevance scores are assigned to each sector-specific issue, signaling the credit-relevance of the sector-specific issues to the issuer's overall credit rating. The Criteria Reference column highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis. The vertical color bars are visualizations of the frequency of occurrence of the highest constituent relevance scores. They do not represent an aggregate of the relevance scores or aggregate ESG credit relevance.

The Credit-Relevant ESG Derivation table's far right column is a visualization of the frequency of occurrence of the highest ESG relevance scores across the combined E, S and G categories. The three columns to the left of ESG Relevance to Credit Rating summarize rating relevance and impact to credit from ESG issues. The box on the far left identifies any ESG Relevance Sub-factor issues that are drivers or potential drivers of the issuer's credit rating (corresponding with scores of 3, 4 or 5) and provides a brief explanation for the relevance score. All scores of '4' and '5' are assumed to result in a negative impact unless indicated with a '+' sign for positive impact.h 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), the Sustainability Accounting Standards Board (SASB), and the World Bank.

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.

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 and agriculture sector and strong presence in the Netherlands, a country highly sensitive to climate change risk.

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' 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. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit https://www.fitchratings.com/topics/esg/products#esg-relevance-scores.

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For information on the solicitation status of the ratings included within this report, please refer to the solicitation status shown in the relevant entity's summary page of the Fitch Ratings website.

For information on the participation status in the rating process of an issuer listed in this report, please refer to the most recent rating action commentary for the relevant issuer, available on the Fitch Ratings website.

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