Annual Report 2020

The Cooperative Rabobank in COVID-19 times.

The Cooperative **Rabobank**

About this Report

Our Reporting Approach in 2020

In preparing this Integrated Annual Report, we have taken the Global Reporting Initiative (GRI) Standards (Option: core) into account. This report and financial statements have been prepared in accordance with the appropriate reporting standards and guidelines. The statements and report refer to the reporting period January 1, 2020 to December 31, 2020 and were first published on March 11, 2021 on our corporate website. The Annual Report takes an integrated approach that highlights our contribution to our stakeholders by providing both financial and non-financial information. Throughout the report, we provide detailed performance data. The Financial Report includes the Financial Statements. We describe our reporting approach in Appendix 1.

Materiality

The materiality analysis provides insight into the choices we made in the reporting year. A materiality matrix illustrates which topics required the most attention due to their significant impact on Rabobank and on our stakeholders. We explain the process of determining materiality and the boundaries of the topics in Appendix 1.

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Chairman's Foreword

EUR 1,096 million Net Result for 2020 in the Face of Covid-19 Dominated Year for Society, Customers and Bank

Covid-19 and its economic turbulence impacted our customers significantly in 2020. We supported them while maintaining our solid capital and liquidity position. This has provided evidence of our ability to absorb the 2020 Covid-19 impact and shows the bank is ready for the forthcoming impact in 2021. We posted a net result of EUR 1,096 million in 2020.

Covid-19 was and is the most significant health crisis of our generation. Its effects on our customers, our employees and societies at large have been dramatic. And it is still ongoing. From health threats to lockdowns, Covid-19 continues to dominate people's lives, businesses and the global economy. Crises call for rapid response and adaptation. And this is what we have demonstrated during 2020 and will continue to do in 2021.

Our primary focus has been the availability of our banking services and supporting our customers in their immediate continuity needs in these extreme times, Rabobank adapted to customer demands, providing temporary financial relief for those in need. We have been able to support around 8,000 private customers, and 79,000 corporate customers. Despite the immediate effects these circumstances have had on the bank in financial terms, we proved to be well capable of dealing with this situation.

At the same time, the severe Covid-19 crisis demanded the very essence of what a cooperative bank with a mission stands for: to contribute substantively to the significant transitions that are shaping the world we live in. As a meaningful cooperative, our contribution to society last year was first and foremost to focus on the immediate needs of our customers. But we were also able to accelerate the delivery of our strategy during the pandemic. We improved digital service to our customers and members with new innovations in our Rabo App, building on the foundations laid in the recent years. Besides that, as a bank committed to making global food supply chains more sustainable was expanded, playing an important role in the green financing of our global customers, and supporting farmers around the world in their shift to more sustainable food production.

At the heart of many of our achievements in this past year was the contribution and leadership of our 43,272 (FTE) employees around the world. They adapted, worked from home and are still coping with the consequences. Our people deserve extra gratitude for their role and contribution in this difficult year.

Financial performance

Covid-19 significantly affected our financial performance. The 2020 net result is a reflection of that. At EUR 1,096 million in profit, our 2020 net result dropped by 50% compared to last year. The effect of Covid-19 was primarily visible in the level of impairment charges which rose to EUR 1,913 million (2019: EUR 975 million), equivalent to 46 basis points of the average loan portfolio. The timely and collective action of governments, regulatory authorities and our own organization was instrumental in mitigating and delaying the immediate effect of Covid-19 on our customers. We do expect a deterioration in the credit quality in the business loan portfolio in the course of 2021, which is reflected in the higher level of impairment allowances. The credit quality of our residential mortgage loan portfolio remained strong. And apart from a number of subsectors, Food & Agri sector seems to be less impacted by this crisis.

Total income was down as a result of lower economic activity and negative asset revaluations, but the decline can also be attributed to the persistent low interest rate environment. Despite the fact that we were able to further reduce our costs, the cost/income ratio has increased to *65.8%*, primarily as a result of lower interest income. The Return on Equity decreased to 2.7%.

The private sector loan portfolio decreased slightly from EUR 417.9 billion to EUR 409.4 billion, mainly because of currency fluctuations. The Food & Agri portfolio decreased to EUR 105.4 billion (2019: EUR 111.7 billion) partly because of exchange effects. Furthermore, we remained market leader in the Dutch residential mortgage market with a market share of new production of *22%*. Deposits from retail and wholesale customers rose sharply by *7%,* which is in line with the general trend in the Dutch savings market due to the impact of Covid-19.

Thanks to a longstanding strategy of strengthening the balance sheet, our financial buffers have proven able to withstand an economic downturn with large-scale impacts on clients. Even after year of the pandemic, the capital position remains rock-solid and secure. The CET 1 ratio increased to 16.8*%*. Due to the extraordinary circumstances, we made an exceptional distribution to certificate holders in the form of Rabobank Certificates instead of a cash payment.

On December 15, 2020 the European Central Bank (ECB) issued a recommendation to banks to refrain from or limit dividends until at least September 30, 2021. Rabobank announced on December 21, 2020 that it will adhere to the recommendation, and that it will discuss the prudence of any distributions on Rabobank Certificates prior to September 30, 2021 with the ECB. Rabobank hereby announces its intention at its full discretion, to make a quarterly distribution of EUR 0.13674 per Rabobank Certificate on March 29, June 29 and September 29, 2021 respectively. Rabobank has the intention to revert to its payment policy in case the ECB withdraws any recommended limitations on dividend distribution. At that time Rabobank will - at its full discretion - decide on any future distributions thereby considering whether it is prudent to make a distribution, and if so, the level of such distribution.

Outlook

It remains important to further strengthen the core of the bank while continuing to invest in new growth. The pandemic is far from over, with the virus mutations causing a new surge of casualties and governmental measures. It will have a burdensome impact on everyone. Many of our customers will be in need of financial support. We stand ready to support these customers with fitting solutions.

The low interest rate environment, tightened legislation and digitization also affect the banking landscape deeply. In the context of this difficult environment, we will maintain focus on further improving our operational and financial performance. In order to better serve our customers at lower costs, we launched a program of continuous improvement for the coming years by which we will optimize our cost/income ratio. The foreseen transition is an extension of the ongoing improvements we have been making in recent years. This is expected to result in an average annual reduction of our workforce by 1000 FTE in the next 5 years. A mix of regular outflow, reduction of external FTEs and redeployment within Rabobank will partly mitigate the impact on forced leaves.

It is part of our ongoing change and improvement process to respond to the current challenges and prepare for the future. We will accelerate the use of digital channels and invest in innovative solutions and mobile service locations and concepts. Accordingly, we will downsize our traditional branch network in the Netherlands in the coming years. In our Wholesale and Rural business, we will further simplify and enhance our operating model and footprint. We foresee growth opportunities in Food & Agri and leasing, focusing on the transitions in the food supply chain, the energy sector and sustainability at large. Above all, we will stay close to our customers in their communities, all around the world.

Our role as gatekeeper of the financial system is still our top priority. The total number of specialists dedicated to Know Your Customer (KYC) activities worldwide increased to 4,000. In 2021, we further invest in our KYC activities and advanced technology, which will increasingly enable us to detect transaction patterns that were not visible before. We will also expand our collaboration with other banks and public-private partnerships. In September 2018, Rabobank received an injunction (last onder dwangsom) from De Dutch Central Bank (DNB). Commencing from 1 April 2020, DNB carried out an investigation and concluded that Rabobank did not meet the requirements of the injunction. As a result, a penalty (dwangsom) of EUR 500.000 has been forfeited. We already took a provision for the same amount in the first half of 2020. Building a robust and future-proof KYC organization that meets all aspects of regulations is an ongoing process and has our utmost attention.

If there is any certainty about the year ahead, it is that further adaptation to the changes following the Covid-19 developments will be needed. As a leading bank in the transition to a sustainable world, we will continue to help our customers in this difficult second year of Covid-19, but also focus on opportunities accelerating the profound sustainable transitions, in food, energy, housing and the way our corporate customers operate.

Wiebe Draijer, *Chairman of Rabobank's Managing Board*

Wiebe Draijer, Chairman of the Managing Board

Management Report

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Key Figures

Amounts in millions of euros	*12-31-2020*	*12-31-2019*	*12-31-2018*	*12-31-2017*	*12-31-2016*
Financial Key Figures					
Common Equity Tier 1 Ratio	16.8%	16.3%	16.0%	15.5%	13.5%
Total Capital Ratio	24.2%	25.2%	26.6%	26.2%	25.0%
Leverage Ratio	7.0%	6.3%	6.4%	6.0%	5.5%
Risk-weighted Assets	205,773	205,797	200,531	198,269	211,226
Wholesale Funding	131,361	151,742	153,223	160,407	188,862
Cost/Income Ratio Including Regulatory Levies	65.8%	63.3%	65.9%	71.3%	70.9%
Underlying Cost/Income Ratio Including Regulatory Levies	64.5%	63.0%	63.9%	65.3%	64.8%
Return on Equity	2.7%	5.3%	7.3%	6.7%	4.9%
Income	10,782	11,756	12,020	12,001	12,805
Operating Expenses	6,542	6,956	7,446	8,054	8,594
Impairment Charges on Financial Assets	1,913	975	190	(190)	310
Net Profit	1,096	2,203	3,004	2,674	2,024
Total Assets	632,258	590,598	590,437	602,991	662,593
Private Sector Loan Portfolio	409,380	417,914	416,025	410,964	424,551
Deposits from Customers	361,028	338,536	337,410	340,682	345,687
Liquidity Coverage Ratio	193%	132%	135%	123%	130%
Loan-to-deposit Ratio	1.12	1.22	1.22	1.21	1.22
Non-performing Loans	13,882	15,705	18,436	18,315	18,873
Non-Financial Key Figures					
Net Promotor Score Private Customers in the Netherlands	56	61	57	53	36
Net Promotor Score Private Banking Customers in the Netherlands	57	63	61	50	41
Net Promotor Score Corporate Customers in the Netherlands	51	51	53	43	30
% Online Active Private Customers in the Netherlands	65.6	64.0	61.8	-	-
% Online Active Corporate Customers in the Netherlands	82.2	81.5	80.8	-	-
Availability of Internet Banking	99.8%	99.7%	99.9%	99.9%	99.7%
Availability of Mobile Banking	99.8%	99.6%	99.9%	99.9%	99.7%
Availability of iDEAL	99.9%	99.7%	99.8%	-	-
Total Sustainable Financing	52,278	44,583[1]	46,607	17,377	-
RepTrak Pulse Score	72.6	71.5	70.8	69.5	66.1
Member Engagement Score	52%	49%	45%	-	-
Community Funds and Donations	42.5	45.4	48.8	45.5	43.3
Employee Engagement Scan	69	64	61	-	-
Diversity: % Women Employed in the Netherlands	49%	51%	52%	-	-
Absenteeism in the Netherlands	3.4%	4.3%	4.3%	4.0%	3.6%
Ratings					
Standard & Poor’s	A+	A+	A+	A+	A+
Moody’s	Aa3	Aa3	Aa3	Aa2	Aa2
Fitch	A+	AA-	AA-	AA-	AA-
DBRS	AA	AA	AA	AA	AA
Sustainalytics ESG Risk Rating Category Diversified Banks	1	1	1	-	-

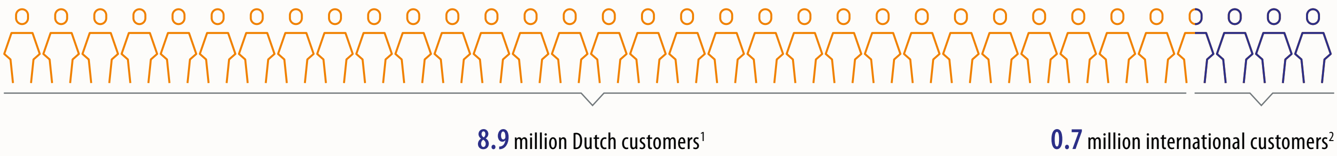
1 We have assessed our total portfolios for the various sustainable finance categories. Because of a lack of available data, this is not yet possible for wholesale sustainable loans. We have therefore removed this category from our sustainable finance portfolio. We have also taken the figures from the position at year-end 2019, which was 1,417 million.

Rabobank at a Glance

Mission

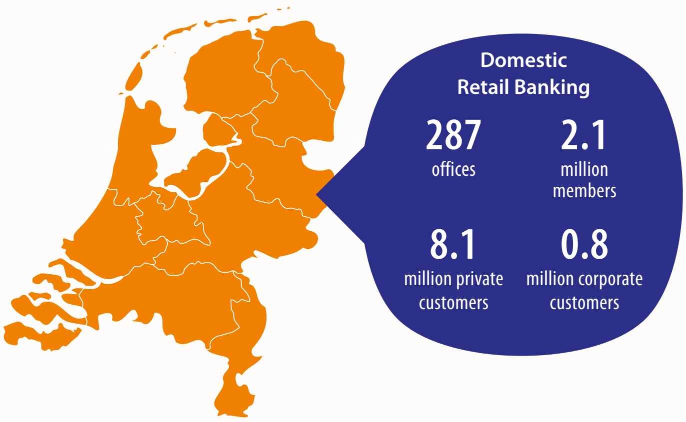
Growing a better world together

Almost 9.6 million customers



The Netherlands

86 Local Rabobanks



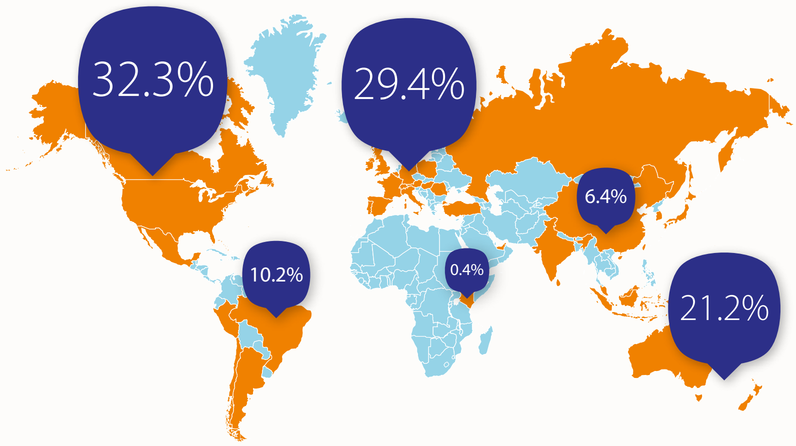
What We Offer in the Netherlands

(amounts in EUR billions)

188.8	Dutch Private Mortgages
40.3	Lending to Food & Agri[3]
79.4	Lending to Trade, Industry and Services[3]
1.6	billion point-of-sale terminal transactions
134.8	Savings
48.9	Assets Under Management
1.4	Leasing
8,901	BPD transactions

International

37 Countries



What We Offer Internationally

(amounts in EUR billions)

65.2	Private sector lending to Food & Agri
32.3	Private sector lending to Trade, Industry, and Services
30.5	Leasing

1 Local Rabobanks and Obvion 2 Wholesale & Rural (W&R) 3 W&R the Netherlands & domestic DLL portfolio included

Rabobank at a Glance

Our History

We emerged from small agricultural cooperative banks, first founded by Dutch farmers and horticulturists in the late nineteenth century. They had been eager to improve the future of agriculture and horticulture and make farmers prosperous through a credit cooperative. From 1895 on, several banks modeled on this "Raiffeisen system" were set up in different parts of the Netherlands. The organizational model centered on self-help, taking individual and mutual responsibility, and the involvement of all stakeholders. Today, we are active in 38 countries with 43,272 employees (FTE) (35,222 permanent and 8,050 hiring contracts) and our commitment to the founding principles and to making a difference in society is as strong as ever.

Our Activities

We focus on delivering all-finance services in the Netherlands and on serving our Food & Agri customers internationally. We create value through our strategy and the products and services we offer customers in Retail Banking, Wholesale Banking, Rural Banking, Private Banking, Vendor Finance, Leasing, and Property Development.

Our Business Model

We offer our customers a varied package of products and services, which include payment services, savings, insurance and loans, as well as strategic advisory services, such as treasury and mergers and acquisitions. Our income is made up primarily of net interest, in other words, the difference between the interest we receive from our customers and the interest we pay on our deposits and on funding. This income covers our costs, for instance, the salaries of our employees, taxes and risk costs, investments in innovation and digitalization, and distributions to our investors.

Adding Value for Our Stakeholders

We are committed to creating value for our stakeholders. We consider our customers and members, funding partners, employees, and societal partners like WWF, the UN, and trade organizations key stakeholders. We work with partners on societal issues that are too big to solve alone. We create value through enduring relationships with all stakeholders, and by responding to customer needs against the backdrop of today's trends and uncertainties. We describe this process in our value creation model. It shows the key inputs we use in our business model, along with our mission, vision, strategy, and our products, and services. Finally, the output and impact section of the value creation model is structured around our strategic cornerstones and provides insight into our alignment with the relevant U.N. Sustainable Development Goals (SDGs). For more detailed information, see the downloads.

Key Trends and Uncertainties

Every year we analyze trends and developments that affect our stakeholders and us. For example, trends in consumer behavior, climate, technology, innovation, market players, regulations, the economy, and society. All present opportunities as well as challenges.

Trends and Uncertainties in a Nutshell

- *Economic Developments*
  We expect that we will have to deal with the Covid-19 pandemic and its aftermath for the foreseeable future. GDP has contracted and developments vary between and among sectors. Some sectors have been hit hard, while others have seen a move towards increased online services. Impairments are rising, and we are experiencing limited economic growth. Geopolitical unrest is undiminished and trade wars are reshaping the global economy. Despite various government support measures, Covid-19 could mean a significant extra blow to the economy, which could be accompanied by higher volatility in the financial markets, loss of market access, and investment losses. We do not yet know how the phasing out of government support measures will work, and it is still unclear how the high debt ratios will affect the future. Because the continuously low interest rate environment puts pressure on our income, we will continue to work on improving our cost/income ratio.
- *Disruptive Innovation*
  Customer preferences are changing rapidly and significantly, partly prompted by Covid-19 lockdowns. The speed of digitalization is accelerating in line with changing customer behavior. The world of financing and lending has changed rapidly in the last couple of years: private individuals and organizations are prepared to offer funding and venture capital to third parties. Big tech companies, which have already permeated our daily lives and have enormous customer bases, are offering payment services. We will continue to focus on our core activities and offer our customers initiatives and services that contribute to global transitions. To meet customer needs, we proactively monitor innovations and engage in strategic partnerships. We invest in the quality and the further innovation of our (digital) services, artificial intelligence, and robotization. It is evident that technology

is impacting our business and that of our customers, varying from on-farm drones to the use of personal data. All this data needs to be kept secure and organized. The threat and impact of cyber-attacks on the financial sector is increasing. We are strengthening our capabilities to reduce the risk of cybercrime through cloud technology.

- *Sustainability and Climate Change*
  Despite the intentions and ambitions of the Paris Climate Agreement, the world is warming up, which poses risks for the environment and the food security of communities. We see climate change directly affect our banking business. We recognize the physical risks of climate change on our portfolio and the transition of our customers towards a more sustainable business model within increased transparency requirements on disclosure. We use the UN SDGs as a guiding framework to align our activities as we try to tackle challenges like climate change, hunger, and poverty. We want to make a meaningful contribution to achieving the SDGs. While all the SDGs are important, our capacity to support their individual achievement varies. We have chosen to focus mainly on the four SDGs that our organization can influence through our strategy: SDGs 2, 8, 13, and 17.
- *Regulations*
  Regulators and new regulations are increasingly shaping the ways banks can provide their services. Due to our role as gatekeeper to the financial sector, (regulatory) expectations continue to require our full attention. Expectations regarding our duty of care keep expanding. A lack of consistency between overlapping regulations in independent jurisdictions increases regulatory uncertainty, which may result in different regulatory actions or supervisory interpretations.

  Risks are subject to various supervisors (ECB, DNB, AFM and the Dutch Data Protection Authority) locally as well as internationally. New and existing regulations put pressure on our ability to comply in a timely manner.

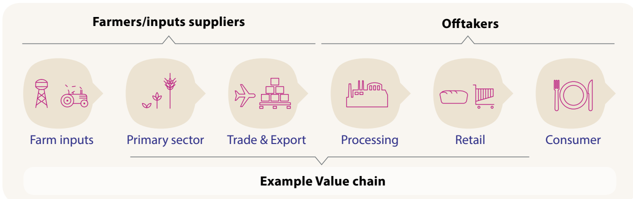
For more detailed information about how we manage these uncertainties, please refer to the "Risk Management" chapter.

Stakeholder Engagement

We are committed to maintaining strategic, constructive and proactive dialogs with all our stakeholders. As a systemic bank, we engage with many stakeholders, all of which are important to us. We interact most with our customers, members, employees, investors, credit-rating agencies, supervisory bodies, regulators, other banks, fintech companies, and start-ups. In addition, we engage with non-government organizations, government agencies, the media and politicians. We engage with them through member councils, customer feedback platforms, customer and employee surveys, participation in sector initiatives, and other means. Our Managing Board Members meet with customers, employees, politicians and other stakeholders to discuss our strategic progress, receive their feedback on our contribution to society and debate developments in the financial sector, both generally and in specific relation to Rabobank. For more information on our engagements, please see our ESG Facts & Figures report.

Value Chains

Our value chain covers the entire chain from the farm inputs through to the consumers' use of the product. Our role consists of lending, investment and domestic real estate development. We offer private and commercial customers a wide variety of financial products such as loans payments and asset management. Rabobank also includes BPD, Obvion, and DLL which provide our customers with real estate, mortgages, and leasing solutions. Through these value chains, we aim to help realize our customers' ambitions and to add value for our customers.



Next to our role as financier and connecting partner in the value chains, we want to play a prominent role in the public debate on the food transition. Our networks allow us to connect producers with consumers (off takers). Our knowledge allows us to actively participate in roundtables on sustainability within selected agribusiness value chains worldwide. Through our collaboration in sustainability projects, we aim to inspire others to increase sustainability in their own value chains. We aspire to combine added value for our customers with an acceleration of sustainability measures in global agribusiness and food.

Our Fundamentals

Our mission, vision, strategy, values and behaviors are the fundamentals of the way we operate.

Mission

Our mission is: *Growing a better world together*. This is what we stand for and what we aim to achieve through being client-driven, action-oriented, purposeful, courageous, professional and considerate and by bringing out the best in each other while continually learning.

Vision

We are committed to making a difference as a cooperative, customer-driven all-finance bank. We aim to be a socially responsible bank, championing customer issues that have a major impact on society. We want to make a substantial contribution to feeding the world sustainably and to well-being and prosperity in the communities in which we are active.

Transitions

Our mission *Growing a better world together* expresses our aim to make a substantive positive contribution to the significant transitions that are shaping the world we live in. As a cooperative bank, rooted in the world of food and in the Netherlands, we focus on the key transitions that we can have an impact on through our propositions. We can shape these propositions by offering products and services, as well as our network and knowledge, to our customers. A significant and urgent shift in the following transitions is needed to leave a better world for future generations.

A more sustainable way to feed the growing world population

A more sustainable way to feed the growing world population (Food Transition) is a crucial transition, encompassing many Sustainable Development Goals. After the climate challenge, it is one of the most pressing and complex challenges the world faces.

Climate change and the transition toward more sustainable energy supply and consumption.

Climate change and the transition toward a more sustainable energy supply (Climate & Energy Transition) is urgently needed to address the climate change currently underway, and to suppress the negative effects it is already creating. Two types of measures are needed to achieve this transition, mitigation and adaptation, even if we achieve the requirements as laid out in the Paris agreement.

Climate Change mitigation requires a shift towards sustainable energy production, as well as lower energy consumption - both by industries and individuals. This transition also requires a more sustainable use of the planet's other resources, and a move towards a more circular economy.

A more inclusive society

Low incomes, shrinking support networks, and diminishing economic solidarity combined with the impact that digitization has on society are eroding social cohesion. These factors contribute towards a more individualistic society, increased social stress, and reduced financial well-being, particularly among the most vulnerable in society. Manifestations of this priority area of a number of the Sustainable Development Goals are also present in the Netherlands, the country in which we have a prominent retail banking operation.

Propositions

We want to make a positive contribution to these transitions through our banking propositions, our knowledge, and our networks. We have prioritized these contributions along a number of themes. In each of these themes, we aim to have a positive impact next to realizing banking growth:

1. Sustainable food is a fundamental part of our international banking for food strategy. We aim to play a prominent role in the public debate on the food transition. Our networks allow us to connect producers with consumers. Our knowledge allows us to actively participate in roundtables on sustainability within selected agribusiness value chains worldwide.
2. Sustainable growth and energy supply. We stimulate sustainable growth for companies. In cooperating with innovative customers and social partners on ambitious sustainability projects, we aim to inspire others to increase sustainability in their own value chains. We aim to help our customers move towards a more circular economy. Under this theme we also aim to become the “bank of the energy transition”, building on our already prominent role in financing sustainable energy projects.
3. Sustainable living. In the Netherlands, we aim to accelerate the shift towards sustainable living for people with a particular focus on accelerating the move towards sustainable housing, through increasing efficiency in energy supply and consumption.
4. Financial well-being. Given our prominent role as a cooperative retail bank in the Netherlands, we aim to stimulate financial well-being for our customers and the communities in which we operate. This is our contribution towards creating an inclusive society in which people are more self-reliant.
5. Affordable and Sustainable Renting. In the housing market in the Netherlands, there is a lack of insufficient affordable and sustainable rental housing available for middle-income households. Together with our subsidiary BPD, we want to contribute to a solution to this problem through the BPD Housing Fund, by building these houses and renting them out to this target group.

Strategic Pillars

We strive to enable customers to make independent decisions. Our strategy is founded on four pillars: Excellent Customer Focus, Meaningful Cooperative, Empowered Employees and Rock-Solid Bank. These are the four pillars of all our actions, priorities, key performance indicators (KPI's), values, and behaviors.

Mission — *Growing a better world together*

Vision — Banking for Food | Banking for the Netherlands

Strategy	Excellent Customer Focus	Meaningful Cooperative	Rock-Solid Bank	Empowered Employees
SDGs	2, 8	2, 13, 17	8	8
Priorities	• 100% digital convenience in everything • Top customer advice nearby • Growth with innovation	• Concrete socially responsible contribution • Involved members and communities	• Top performance • Optimal balance sheet • Exceptionally good execution	• Inspired employees • One Rabobank culture
Rabobank values	We are client-driven and action-oriented	We are purposeful and courageous	We are professional and considerate	We bring out the best in each other and keep learning
Material topics	• Increasing customer satisfaction • Digitizing and innovating services • Supporting sustainable entrepreneurship • Reducing financial inequality • Stimulating sustainable Food & Agriculture	• Strengthening local communities • Member engagement • Climate change/ ESG transition	• Strong capital position	• Employee engagement and wellbeing • Diversity and inclusion

Excellent Customer Focus

Being client-driven is embedded in our culture. Current and future client requirements can best be satisfied through good advice and by delivering convenient and innovative products and digital services. Our wide range of products and services generates economic activity, helps keep the economy moving and makes our clients future proof (SDG 8).

Meaningful Cooperative

We translate social developments into specific contributions for the long-term. Cooperative banking means that we actively involve members, employees, customers and other partners and that we connect them in a network with each other (SDG 17). We take a stance on societal issues that matter to our customers and stakeholders, like climate change (SDG 13) and biodiversity. By working on our vision to feed the world sustainably, we aim to contribute to zero hunger (SDG 2). We are committed to connecting with our members and to strengthen the connection between our members, by stimulating a more meaningful experience of membership. We also offer our current customers the possibility to easily become a member online.

Rock-Solid Bank

It is our ambition to do the right things well, or even exceptionally well, with everyone taking ownership, remaining conscious of risks, and operating as professionals. We understand the importance of our role as gatekeeper in preventing our products and services from being used for money laundering and terrorism financing. We aim to ensure our continuity with our financial performance and strong ratings. To that end, we are working hard to improve our cost/income ratio (SDG 8).

Empowered Employees

We aim to provide an inclusive working environment for our employees (SDG 8). Our employees are proud and driven. They demonstrate craftsmanship, vitality and adaptability. They feel empowered to represent our organization, are inspired by our mission and want to grow a better world together. We want the most talented people to want to work, develop, and stay at Rabobank.

Excellent Customer Focus

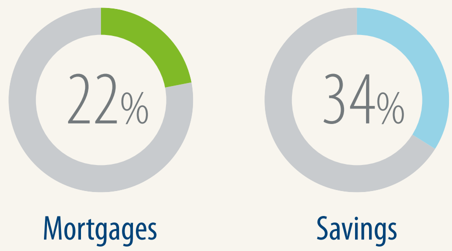
Being client-driven is deeply embedded in the Rabobank culture. Current and future client requirements can be fully satisfied through giving good advice and by delivering convenient and innovative products and digital services. Our diverse offering helps generate economic activity and keeps the economy moving, and makes our customers future proof.

Excellent Customer Focus

Our Contribution to the Propositions

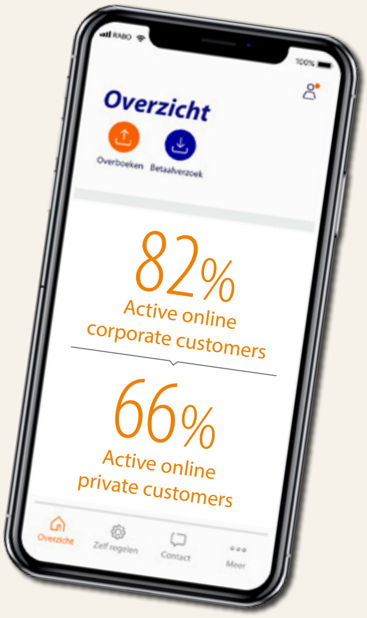
- **Sustainable Food**
  AGRI3 Fund and funds to restructure dairy and horticulture sectors
- **Sustainable Growth and Energy Supply**
  Energy transition: EUR 2.4 billion financed in renewable energy projects
  Circular economy: Rabo Impact Loans EUR 163 million exposure
- **Sustainable Living**
  Average label in the mortgage portfolio: Label C
- **Financial Well-being**
  1.39 million piggy banks opened and with this taken steps on the financial ladder

Domestic market shares



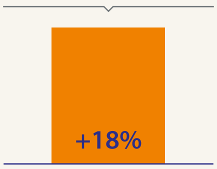
We aim to be a leading bank in which current and future requirements can be fully satisfied through good advice, products, digital convenience and innovative services.

Excellent Customer Focus



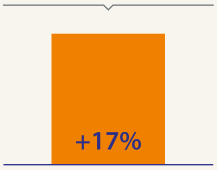
450,000
Downloads Food & Agri podcast

Sustainable Funding
6,256
EUR million



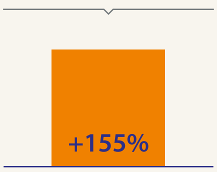
2019: 5,300 EUR million

Sustainable Finance[1]
52,278
EUR million



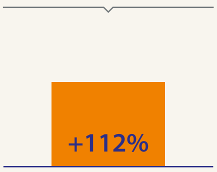
2019: 44,583 EUR million

Sustainable Assets under Management
16,339
EUR million



2019: 6,399 EUR million

Sustainable Transactions Supervised
14,219
EUR million



2019: 6,701 EUR million

1 We changed our methodology, see definitions.

COVID-19 related support

8,000 private customers supported by:
- Three-month payment holidays for mortgage loan instalments and consumer loan repayments
- No forced home sales due to arrears
- Lower interest rate for overdrafts on payment accounts and an extra three months for balance settlement

79,000 business clients supported by:
- Six-month payment holidays for principal repayments on loans
- Postponement of scheduled reductions of credit facilities
- Three-month payment holidays for lease payments

Sustainability Performance of Clients (Client Photo)

Frontrunner Clients Wholesale (A-level)
30%

Frontrunner Clients Rabobank's Dutch Retail Banks (A-level)
12%

We measure the sustainability performance of our clients with an exposure over EUR 1 million in a client photo.

Excellent Customer Focus

The Covid-19 pandemic have had a major impact on our customers and our bank. We have provided temporary financial relief to a total of approximately 87,000 customers (8,000 private customers and 79,000 corporate customers). Multiple aspects of the Covid-19 crisis have affected our customers and all our employees, sometimes with profound and far-reaching impacts. With our mission *Growing a better world together* as our guide, we support our customers through rough times and remain focused on the well-being of our employees. The biggest support that we can give the community is to help our customers and employees adapt to the new reality and, by doing so, support the economy.

Customer expectations changed rapidly during the pandemic in 2020. We were able to adapt to the new reality and continued delivering services to our customers mainly through digital channels. In addition, we provided temporary financial relief to our customers through, for instance, payment holidays for loan instalments and repayments, payment holidays for lease payments and no forced home sales due to arrears. In addition, the Dutch and UK governments used our Surepay service to confirm payees' identities to verify that Covid-19 payments were distributed to the right beneficiaries.

We supported our customers with knowledge and insights offered by our research departments. For instance, we doubled the digital offering of Food & Agri knowledge to our customers. We also used this knowledge for risk purposes. Our Food & Agri Research (FAR) podcasts were downloaded 450,000 times. This knowledge was also shared in virtual meetings with groups of customers and in our (virtual) client advisory boards, which we arranged in several regions of the world. In these settings, customers could share their experiences of dealing with the crisis and learn from each other. Besides the regular meetings with the 86 member councils in the Netherlands, we arranged over 50 Advisory Board and Client Council meetings across the globe.

In these unprecedented times, we saw a further increase in customers that use our online channels. Of our private customers 65.6% are active online, as are 82.2% of our corporate customers. We were able to quickly deploy our online credit platform, The Digital Lending Street, to ensure a rapid automated response to our SME customers' applications to help them through the crisis. Online mortgage consultations became the norm within weeks. Due to these changes in customer behavior, we decided to further optimize our operating model in the Netherlands (known in Dutch as Bankieren 3.5). This next optimization step in our Dutch retail domain will come into effect in the first half of 2021. We will adjust our customer service in line with customer needs, customer behavior and customer value. In practice, our employees will work in multi-disciplinary teams in their local environment to drive the change in the food transition, climate change and the transition towards more sustainable energy supply and consumption and the transition to a more inclusive society. For more information on the transitions, please refer to our Report Our Impact in 2020.

Dilemma: who to support
The government and banks are working together to help private individuals and companies weather the Covid-19 crisis, for instance by allowing them to pay back their loans at a later date.

But how can we tell if this support is not just helping otherwise healthy businesses keep their heads above water, but also keeping companies afloat that would have gone under if Covid-19 had never happened? How long can banks continue to assist these so-called zombie companies? How do we decide on wht basis to say yes to one party and no to the other? Is it enough to judge each company individually based on business economic figures? Or is it better to take a longer view, maybe even taking a judgement call on the financial viability of an entire sector? But so many people are employed in a sector, should we as a bank leave them high and dry? Or should we opt for change in a failing sector?

As yet, we do not have answers to this dilemma. Our research departments are creating scenarios that can enable us to make optimal choices while never losing sight of our mission or the interests of our stakeholders.

Point-of-sale terminal transactions decreased due to the Covid-19 lockdowns. At the same time, iDEAL transactions increased by 33.1% (2019 29.5%). We were able to maintain our uptime score for iDEAL at 99.9% and 99.8% for internet and mobile banking. During these unprecedented times, customer satisfaction (Net Promotor Score or NPS) for private customers in the Netherlands slightly decreased from 61 in 2019 to 56. The NPS for corporate customers remained stable at 51. Our wholesale and rural customers' appreciation remained high. Our reputation score rose from 71.5 in 2019 to 72.6 in 2020.

Innovation

We were the first bank in the Netherlands to facilitate payment tokenization. This is a big step forward in applying the concept of tokenization in society. Tokenization allows for new possibilities for tangible and intangible assets.

We participated in uNLock, a consortium of Dutch companies, universities, TNO and the Dutch Blockchain Coalition to develop an app with which users can indicate that they have been tested for corona or have been vaccinated. We also developed the identity wallet, a digital safe for documents such as passports, drivers licenses, and income statements. Through Rabo Frontier Ventures, our EUR 150 million investment fund, we invested in Trussle, a British online mortgage broker, and in the online accounting and bookkeeping marketplace in Ageras, among other things.

Sustainable Food

As a leading global Food & Agri bank, we are committed to contributing to securing enough healthy, nutritious, and sustainable food for people and planet alike. Together with our customers and partners, we work on the conservation of land, water, and biodiversity, the occurrence of food waste, closing cycles (kringlooplandbouw in Dutch), digitization, and reducing climate impact. Through the Rabo Food & Agri Innovation Fund, we invest in companies that can accelerate the transition to sustainable food production, for instance BeeHero, which increases crop yields through data-driven pollination.

The agricultural sector in the Netherlands is an important contributor to the economy and society and is renowned worldwide for its efficient and innovative practices. At the same time, this sector faces important challenges. In 2020, we therefore developed and presented our Vision on a future-proof agriculture in the Netherlands by 2030. In it, we looked at the drivers for the future related to changes in demand, markets, biodiversity, climate and circularity. We highlighted different scenarios, and we see strong arguments to focus on concrete long-term goals related to sustainability and the economy rather than focusing on a set of more general measures. If farmers can build on long-term goals with innovative and nature-inclusive solutions, they can contribute toward a future-proof, sustainable and dynamic sector. We also delivered on special reports on the impact of COVID-19

Our mission is to catalyze decarbonization by empowering our farmer base to reduce and remove CO_2 from the atmosphere and enable businesses and consumers to reduce emissions and tackle climate change. In 2020, we started to develop carbon credit generating projects, so called Carbon Bank, that restore soils, generate additional revenues for farmers, and drive reduction and compensation schemes for businesses. We believe we have to build an ecosystem to have more impact and bring back balance between economy and ecology. Taking an area-oriented approach, we also bring customers and stakeholders together to work on solutions for the entire region: for instance, in the Westland, where we are working on innovations for a future-proof horticulture sector through the HOT coalition (restructuring of horticulture). EUR 28.5 million of the financial resources we contributed to this coalition were issued in 2020.

We monitor the sustainability performance of our customers with an exposure over EUR 1 million via the Client Photo as part of the credit application process. Based on preliminary analyses of our sustainability data we saw a positive correlation between our sustainability score and credit risk. Eleven percent of our Dutch dairy farmers are classified in the most sustainable category (A). We actively encourage our customers to make the transition to be even more sustainable.

One of the largest agricultural sectors in the Netherlands is the dairy sector. It has a significant economic added value compared with other agricultural sectors. Our Dutch dairy portfolio amounted to EUR 11.6 billion, representing 29% of our total domestic Food & Agri portfolio. From the perspective of added value per ton CO_2 eq. in dairy, there is still progress to be made to accelerate the positive impacts (like restoring biodiversity, carbon sequestration and water storage), and to include them in current business models, whilst further reducing the negative impacts.

Our total F&A loan portfolio decreased by 5.6% to EUR 105.4 billion due to currency changes. Our F&A team was involved in a number of landmark deals this year. To help companies embed sustainability at the core of their operations, we granted groundbreaking sustainability-linked loans to China's largest food processing company to make strides toward traceable soy, and to one of the most popular vegan companies to grow in the oat drink market.

We extended our commitment to AGRI3 Fund, an initiative of Rabobank in collaboration with UN Environment Programme, IDH (The Sustainable Trade Initiative) and FMO, a Dutch Entrepreneurial Development Bank. The AGRI3 Fund aims to unlock finance for sustainable agriculture and forest protection projects in emerging markets. Since its launch in 2020, AGRI3 Fund has made progress in establishing its operational foundations and, at the same time, worked on transactions in South America (Brazil) and Asia (China). In Brazil, the transaction provides financing for forest replanting, forest protection (2581 ha.) and renovation of degraded pastureland (1200 ha.), which will enable cattle intensification without clearing new land. The goal is to increase profitability while accelerating compliance with Brazil's strict Forest Code legislation. The transaction in China relates to sustainable pepper farming in the greater Chongqing region. By providing access to finance and good quality inputs, this loan can lead to an income improvement for up to 80,000 farmers to change from poor-yielding crops to more lucrative and sustainable pepper farming.

Sustainable Growth and Energy Supply

The search for economic growth also has a downside. Natural resources become exhausted, CO_2 emissions increase, and climate change continues to affect our lives more and more. As harvests are destroyed by hail or drought, the palpable consequences of climate change are increasing. We believe in the importance of limiting global warming to less than two degrees. In order to achieve this, global emissions need to reach net zero in the second half of this century. This requires an enormous effort by all of us. Together with partners, we will work on the energy transition and will continue to make our own business operations more sustainable. However, our greatest contribution is helping our customers achieve their sustainability goals. Read more on how we achieve this in our TCFD Disclosure.

Energy Transition

We must reduce the use of fossil fuels and move toward clean, renewable energy sources such as solar, wind and hydropower. It is necessary to conserve energy, to become more circular and to utilize energy from waste and residual flows. We invest in innovative technologies such as geothermal energy and finance renewable energy, since the energy sector plays a key role in the transition to a more climate neutral society.

In a joint effort with Energieke Regio, we helped 1,168 SME customers with advice on solar panels to support them in making their real estate more sustainable. Worldwide we are in the top 10 of financiers of renewable energy with 55 projects and EUR 2,357 million exposure and we are market leader in the Netherlands. In addition, we stimulate our customers to join in local energy projects (solar panels, geothermal energy, and wind turbines). As an important financier in the Food & Agri sector, we are involved in a substantial part of all geothermal heat projects in the Netherlands. We also contribute to the establishment of energy cooperatives. In the U.S., Rabo AgriFinance supports livestock producers investing in technology that will reduce their carbon footprint and provide long-term economic benefits: two major components of sustainability. Rabo AgriFinance has developed financing products to assist customers with projects such as digesters and solar energy. More U.S. states are looking to implement programs to make digester projects potentially economical for more U.S. livestock producers.

Sustainable Growth for Entrepreneurs and the Circular Economy

We offer more than financial support alone to help companies become more sustainable. We also share our knowledge and networks. We offer solutions for different stages of business development to facilitate the transition to a more sustainable and circular economy. Again in 2020, we handed out the sustainable innovation award (Duurzame innovatieprijs) for the most innovative and sustainable companies in the Netherlands. We hosted circular tracks with Circo in which Dutch SMEs learned how to improve the circularity of their business. We supported entrepreneurs with strategic issues through our Circular Business Desk by contributing to the financing of circular business models (2020: EUR 200 million) of start-ups and scale-ups, including a peel processing company that extracts orange oil and other sought-after raw materials for use in food manufacturing.

Sustainable Products & Services
We make doing business sustainably more accessible by offering concrete financing solutions such as the Rabo Impact Loan (2020: EUR 163 million exposure). We have also allocated EUR 82.7 million of the Social impact loan in 2020. In the five years since the inception of the impact loans, we financed a total of EUR 900 million. We also lend for sustainability through the Rabo Innovation loan (2020: EUR 17.4 million exposure). In 2020, we invested EUR 52.3 billion (2019: EUR 44.6 billion) in sustainable financing. Through products like our Sustainability Linked Loans, we stimulate our customers to become more sustainable. These loans come with a set of sustainability KPIs for the company. If customers meet these KPIs, they get a discount on their interest rate. We also act as sustainability coordinator for customers.

25 years Groen Bank
Private investors can invest in sustainable business through Rabo Groen Bank. It is the largest green bank in the Netherlands with a current volume close to EUR 2 billion of sustainable and climate transition loans. Since private investors with a green savings account may be eligible for a tax reduction, Rabo Groen Bank benefits from lower funding costs. It transfers this benefit in the form of an interest discount on green loans to companies with sustainable investments. In 2020, Rabo Groen Bank issued EUR 545.5 million in green loans.

Sustainable Assets Under Management and Leasing
Leasing can make a contribution to the climate transition by giving companies with limited resources access to new low carbon technologies. Leasing can also be a more financially attractive option than the purchase of assets. Our subsidiary DLL promotes renewable energy use through its clean technology business and enables green assets use. Through the Life Cycle Asset Management program, DLL provides end-to-end financial solutions for the complete asset life cycle. New service based financial solutions, such as pay-per-use programs, can help unlock circular and usage-based models.

In 2020, 33.3% of the assets under management (EUR: 16.3 billion) on a total of EUR 48.9 billion assets under management were categorized as sustainable, of which EUR 11 billion were invested in mandate funds with the specific objective of at least 30% lower CO_2 intensity than the benchmark.

Sustainability Performance of our Customers
We map our own climate impact and that of our customers based on reports and digital overviews so that we can work on improvements. The weighted average sustainability performance of our clients (Client Photo) improved in 2020 with 1.6%.

We use the Client Photo to gain better insight into our customers' approaches and achievements related to ESG matters. Relationship managers profile their customers with an exposure over EUR 1 million and assign them one of five possible ratings, ranging from "sustainable leader" to "does not adhere to Rabobank's sustainability policy." We have integrated the Client Photo as a criterion in our primary lending process. We are in the process of improving our proprietary rating methodology for Dutch SME and rural customers and will update the Client Photo methodology for our Wholesale clients in the coming year. The Client Photo methodology is drawn from various sources including our Sustainability Policy Framework. This framework outlines how we intend to identify, prevent, mitigate, and account for sustainability risks, such as social and human rights matters. For more detailed information about our Client Photo please refer to our ESG facts & figures.

Sustainability Performance Clients with an Exposure > EUR 1 Million

	2020	2019	Target 2021
Local Rabobanks coverage	99%	98%	100%
Local Rabobanks A-level Clients	12%	8%	n/a
Wholesale Offices coverage	90%	86%	100%
Wholesale Offices A-level Clients	30%	24%	n/a

Sustainable Living
As market leader in the mortgage market the Netherlands, we help customers make their homes more sustainable. We do this, for instance, by partnering with the HuisScan, a tool that enables customers to get concrete offers to make their home more energy efficient. We also acquired The Sustainables, a sustainability consultancy firm that develops smart software platforms (such as advice and quotation tools) for energy companies, financial service providers, installers and central heating manufacturers, all in support of the reduction of household energy consumption. We offer a Green Mortgage (with a lower interest rate) and the GreenDepot, with which customers can borrow additional funding for, for example, a heat pump or solar panels.

Financial Well-being
We aim to ensure that everyone can participate. We do this by giving people access to knowledge, networks, and financial services so that they can make conscious choices that are important for them, now and for the longer term. We want to offer services that support customers who have difficulty with financial matters; for instance teaching young people how to handle money, helping the elderly with secure digital banking, or identifying financial problems early to ensure debt relief can be offered in an earlier stage. Our Rabo banking app offers our customers financial insights and helps create an overview of their finances.

We believe that everyone can take a step toward a financially healthier and more sustainable life and capital building and offer various options: workshops on how to achieve more with your money, 'healthy money conversations' for private customers, the workshop 'doing business in crisis times' for entrepreneurs and the piggy bank option in the Rabo banking app. In 2020, 176,455 households took a step toward capital building by opening a piggy bank in the app, that has a balance. In total there are now 1.39 million piggy banks. If the challenges we face are too difficult to handle alone, we join forces with government, society, and businesses. One example is our partnership to tackle fragmentation in the debt domain through Geldfit and SchuldenlabNL. That is how we can build a more inclusive society together.

Dilemma

As a gatekeeper, we are committed to contributing to a healthy financial sector by preventing financial crime. When financial institutions decide to no longer accept certain individuals or companies, in a specific sector as a customer, this could have negative side effects. These customers and companies may become unbankable. As a consequence, they may go underground or may bank with less reliable parties abroad to continue their businesses. Generally, the insight of one individual bank alone is not enough to obtain a complete and detailed picture of both transactions and customers. That is why we are working with other banks and the public sector to take a stance against financial crime.

Participation in society costs money. The financial future of many households in the Netherlands has become insecure. A generous pension is no longer a given, higher education costs a lot of money and healthcare is changing. Flexible contracts and retraining are the new standard in work. According to Nibud, in the spring of 2020 29% of people in the Netherlands have insufficient savings to cover a two-month loss of income. The corona crisis makes this financial vulnerability even more visible.

Stimulating Transparency

We believe it is important to listen to what customers think of our service. We use customer feedback to improve our services and we participate in the Dutch Banking Confidence Monitor, a survey that gauges the trust our customers have in us and their opinion of our services and products. Rabobank's 2020 results were stable and comparable to the sector as a whole.

Ethics

In order to restore and maintain the trust of its stakeholders and society in general, the financial sector must grapple with ethical dilemmas. Our Ethics Office receives these dilemmas from within the organization or proposes new ethical themes. New themes and dilemmas are brought to the Ethics Committee, which considers them in line with our mission *Growing a better world together*, our Code of Conduct and the cooperative character of Rabobank. The Ethics Committee met six times in 2020. It reflected on the ethical aspects of the Covid-19 pandemic and post-Covid-19 scenarios, the ethical dilemmas concerning our sustainability ambitions and our choices in the energy transition.

Anti-Corruption and Anti-Bribery

We are committed to applying high standards of honesty and integrity consistently across our global operations and in all our business dealings. Our values, as stated in our Code of Conduct, guide the way we behave as individuals and the way we do business. We are committed to preventing corruption and bribery in all its forms and do not tolerate it in our business or in those with whom we do business. We strive to uphold all laws aimed at countering corruption and bribery. Although we have not formulated a KPI on Anti-Corruption and Anti-Bribery in the Annual Report, we continued to invest in this subject. Our policies encourage staff who have any suspicion of bribery or other form of corruption to report their suspicions. Our policies prescribe that when bribery or other forms of corruption come to our attention, we will engage with the customer, business partner, or employee. As an ultimate measure, the relationship with the customer, business partner, or employee can be terminated. Our off boarding data does not specify corruption as a reason for termination and therefore we cannot provide the number of terminations related to corruption in 2020.

AML, CTF & Sanctions

Rabobank’s role as a gatekeeper to the financial system is a top priority for the bank. Furthering a foundation for compliance with applicable laws and regulations and good customer service, Rabobank has substantially improved its KYC (Know Your Customer) activities and increased its investments in KYC compliance in recent years. The bank operates a global program to enhance the quality of our client files and data to identify (potential) criminal activity.

In September 2018, Rabobank received an injunction (‘last onder dwangsom’) from De Nederlandsche Bank (DNB). Commencing from 1 April 2020, DNB carried out an investigation related to whether Rabobank met the requirements of the aforementioned injunction. Despite our efforts, DNB determined that Rabobank did not meet the requirements of the injunction. As a result, a penalty (‘dwangsom’) of EUR 500,000 has been forfeited.

Nonetheless, Rabobank continued to substantially invest in its KYC activities in 2020, both in terms of dedicated resources and the further automation and innovation of processes, allocating EUR 380 million over the year, excluding front office activities and subsidiaries. The program also includes initiatives to uplift our global Anti-Money Laundering/Counter Terrorism Financing (AML/CTF) and Sanctions framework.

As such, Rabobank on-boarded and trained an additional workforce of around 800 KYC employees in the Retail Netherlands domain, increasing the total number of individuals dedicated to KYC activities worldwide around 4000. Rabobank also reported an increased number of unusual transactions to the Financial Intelligence Unit (FIU). In addition, Rabobank's KYC activities have been upgraded, deepening the (thematic) investigations such as into high-risk cash-intensive sectors. Furthermore, Rabobank has modified its client exit policies and processes.

Whilst Rabobank has made improvements, much still remains to be done. Rabobank will therefore continue its dedication to, and investment in its KYC program. This program is being executed under the direct responsibility of the Managing Board. The program assigns clear responsibilities and activities to each line in accordance with the 3LoR model. First line takes risks, owns risks and manages risks and returns. Second line provides risk and compliance governance, challenges and advises on risk taking and monitors the risk profiles. Third line provides independent assurance, advice and insights via (periodic) assessments. The Supervisory board has set up a (temporary) committee to support its management. Going forward, DNB will also continue to supervise Rabobank's KYC program.

In 2021, Rabobank will continue to invest in its KYC activities and advanced technology, which will increasingly enable us to detect transaction patterns which were otherwise not visible or detected as unusual. Rabobank will sustain its focus on quality assurance and will increase the effectiveness and efficiency of processes. Emphasis will be placed on adjusting Rabobank's risk appetite and the Systematic Integrity Risk Analysis (SIRA) as well as on continuously monitoring of clients and timely detection of unusual activities.

Moreover, we will promote even closer cooperation between banks and various parties in the public sector. This joint effort is essential in reinforcing our common fight against financial and economic crime.

Meaningful Cooperative

We translate social developments into specific contributions for the long-term. Cooperative banking means that we actively involve members, employees, customers and other partners and that we connect them in a network with each other. We take a stance on societal issues that matter to our clients and stakeholders, like climate change and biodiversity. By working on our vision to feed the world sustainably we aim to contribute to zero hunger.

Meaningful Cooperative

52%
Member Engagement Score
2019: 49%

Rabobank club support

30,000
clubs and associations participated

460,000
members voted

14.9 EUR million
donated to clubs and associations

Projects & Funds

- Fund for Young Farmers
- #supportyour localsNL
- Good Fashion Fund
- SHIFT III
- AGRI 3 Fund
- Biodiversity monitor

Rabobank is committed to making a difference as a cooperative customer-driven bank, championing customer issues like sustainable food, sustainable growth and energy supply, sustainable living and financial well-being.

Meaningful Cooperative

Partnerships & Memberships

We believe we can achieve more if we work together with partners. That's why we invest in partnerships and memberships.

- WBCSD
- UNEP FI
- WWF
- PCAF
- NVB
- EACB
- FAO
- WEF
- IDH

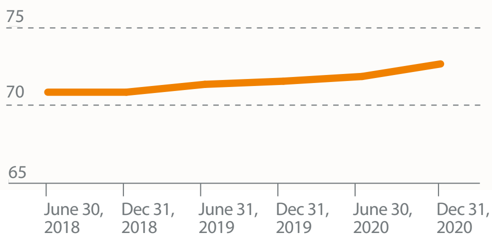
Community Funds and Donations

We allocated a percentage of our net profit for investments in local community initiatives in the Netherlands.

42.5
EUR million
2019: 45.4 EUR million

RepTrak Score Reputation Management

72.6
as of Dec 31, 2020



CO_2 footprint own operations

82,678
tonnes

1.9
tonnes per FTE

Meaningful Cooperative

For us, being a meaningful cooperative means that we are committed to making a difference as a cooperative, customer-driven bank, in the Netherlands and around the world, by taking a stand on societal issues that matter to our customers, such as the food transition, climate & energy, and the transition to a more inclusive society.

Involved Members and Communities

In 2020, we introduced the option of becoming a Rabobank member in the Rabo App. The number of members increased from 1.9 million to 2.1 million. When we surveyed members about how they want to engage with us or give substance to their membership, 52% said that they feel involved with Rabobank (2019: 49%). We developed an introduction module for new members of our local member councils and two knowledge modules on two propositions (sustainable living and financial well-being) to help our member councils and local supervisory board members contribute to the communities where we are active.

Cooperative Covenant

Together with our local Rabobanks, their members, the member councils, their customers and local stakeholders, we are developing the Cooperative Covenant. It is a vision for the regional economy and community for the future. The input for the Cooperative Covenant comes from the results of the dialogs in the regions, complemented with economic research. Together they underpin our cooperative vision and action plan for the Netherlands to accelerate the major transitions that we are facing: the food transition, climate & energy, and the transition to a more inclusive society. In addition, the Covenant provides direct input for regional business plans that contain initiatives to strengthen the region.

Partnerships and Memberships

We believe that we can achieve more if we work together with partners. In 2020, we renewed our partnership with the World Wide Fund for Nature (WWF). Rabobank and WWF have taken steps to accelerate certification in the Chilean salmon sector and promote ASC certification among our salmon producer customers in Chile. The certification will offer a more transparent view of how a sustainable farm performs throughout the entire chain. In addition, we signed a partnership with FAO to help targeted rural communities benefit from more inclusive, sustainable food systems. Together with 30 World Business Council for Sustainable Development (WBCSD) members, we jointly developed a universal and consistent framework to measure circularity, The Circular Transition Indicators (CTI). The CTI is a simple, objective and quantitative framework that can be applied to businesses of any size in any industry, regardless of their value chain positions or geographies.

In a partnership with Global Canopy, the United Nations Development Programme (UNDP), the United Nations Environment Programme Finance Initiative (UNEP FI), and the WWF, we aim to establish a Task Force on Nature-related Financial Disclosures (TNFD) in 2021. We are also working to set up "Banking for Impact on Climate in Agriculture" (B4ICA), an international group that brings together banks, scientists and relevant experts under the coordination of the WBCSD. It will address the data gaps in climate impact measurement in agriculture.

Transitions

Food Transition

A more sustainable way to feed the growing world population is a crucial transition, encompassing many of our focus SDGs. After the climate challenge, it is one of the most pressing and complex challenges the world faces.

Sustainable Food

Vital soil is crucial for food production and the fight against climate change. We will help farmers to protect and restore biodiversity and move towards adopting more circular agriculture models, for example the open soil index, a kind of energy label that allows farmers to show how healthy their soil is. This soil index helps us to contribute to healthy farms, the preservation of the value of agricultural land and affordable groundwater extraction. Our biodiversity monitor for dairy farming aims to help restore biodiversity in agriculture in partnership with Friesland Campina and WWF. We have underscored our commitment to making a positive contribution to biodiversity through our activities and investments with the "Finance for Biodiversity Pledge", which we launched together with 25 other financial institutions.

When Covid-19 exposed the vulnerability of the food chain in 2020, we organized a special Short Chain edition of Rabo Food Forward, a program in which we bring different parties from the food chain together to develop new food solutions. In 2020, both regional and national Rabo Food Forward events were held. For example, Foodbytes! offered start-ups across the globe a platform to pitch their sustainable food concepts and business models.

Climate and the Energy Transition

Climate change and the transition towards more sustainable supply and consumption of energy is urgently needed to address climate change, and to suppress the negative effects it is already creating. Both climate mitigation as well as climate adaptation are required, even if we achieve the requirements as laid out in the Paris agreement. Mitigation requires both a shift to more sustainable energy production as well as less consumption of energy, both in the industrial and residential part of the energy economy. This transition also extends to using other natural resources more sustainably as we move towards a more circular economy.

Sustainable Growth and Energy Supply

We are committed to helping our customers identify and mitigate their climate risks and to reduce their own carbon footprint. Our main contribution lies in providing access to knowledge, networks and finance. We try to mitigate climate change risks by promoting, stimulating and offering appropriate products and services. For example, we offer financial products that help reduce energy consumption through greater energy efficiency and adaptations for a more circular economy, including in food and agribusiness and in other high-carbon or energy-intensive industry sectors. While the use of energy produced from fossil fuels is still a reality and a necessity in many economies and households, we are encouraging all stakeholders to adapt their economic activities and use of energy to reduce impacts from greenhouse gas emission. We were a partner in the largest onshore wind farm in the Netherlands and the largest community-owned windfarm in Europe, Windpark Zeewolde.

Our Own Performance

In 2020, we reduced our CO_2 emissions (2020: - 43.8 tons) related to our own operations. For more information please refer to our ESG Facts & Figures. We also compensated our emissions partly through the purchase of, amongst other things, Gold Standard certified CO_2credits. We have committed to the Science Based Targets initiative for our Scope 1 and 2 emissions (emissions from our own operations). We submitted a scope 1 and 2 intensity target that is aligned with a 1.5-degree Celsius scenario under the Absolute Contraction Approach. Our RepTrak Reputation score on environmentally responsible increased from 61.5 in Q4 2019 to 69.9 in Q4 2020.

Transition to a More Inclusive Society

Low incomes, reduced support and less economic solidarity combined with the impact of further digitization on society are eroding social cohesion. These factors contribute to a more individualized society, more social stress and the loss of financial well-being, particularly of the more vulnerable in society.

We want to contribute to a more inclusive society, to being connected, experiencing a sense of togetherness and being able to participate. We want to express the cooperative mentality, which originated from a collective of inventive farmers who founded Rabobank 125 years ago. They had to deal with major problems that they could not solve on their own. But they joined forces and solved their problems together. We still work according to this founding philosophy. In practice, this means that we are committed to strengthening social cohesion and offering everyone opportunities to participate. We want to help people and companies to become future proof.

Our way of doing business is guided by the cooperative mentality. In practice this means we help our customers by providing knowledge and connect them with our network in addition to offering products and services which can help them become future proof and sustainable and find solutions together. This has a positive impact on individuals and society. We support associations with sponsoring and Rabobank Club Support, an initiative in which clubs and associations can raise money for their club by getting Rabobank members to vote for their project. More than 30,000 associations and clubs participated in Rabobank Club Support and nearly half a million members voted for their club. Together they received EUR 14.9 million out of the Rabobank Cooperative Dividend for projects like renovating club buildings.

Sport and culture associations and foundations play an important role in society because they promote greater social cohesion. Their scouts and recruiters discover new talent and prepare them for the highest levels of performance. We are working with the Dutch Hockey Foundation to set up 30 new clubs in neighborhoods that have few options for sport in a club context. Three clubs have already been established through this initiative: Amsterdam Dynamics, AHC Noorderlicht Amsterdam and Hockeyclub Uno Utrecht.

Our local Rabobanks in the Netherlands have drawn up their own "Plan for Society" with the aim of making their local contribution to our mission *Growing a better world together* more concrete. In 2020, we allocated a total of EUR 42.5 (2019: 45.4) to societal projects through our cooperative dividend. The varied initiatives include providing laptops for families in the Netherlands that have no means to purchase them, so that children can keep up with online classes, and Supportyourlocals a Dutch national campaign in which we and our partners aim to help local food producers by encouraging consumers to choose local products (shorten the food chain), both during and after the Covid-19 crisis. We also have an emergency Covid-19 fund for associations, and in Germany, RABODirectHilft provides vouchers for entrepreneurs. During our week of the cooperative, we matched the needs of our customers with the skills of our employees around the world. We asked our employees to use their unique talents and expertise to deepen our relationships in a way that goes beyond financial services. Some examples include teaching elementary school students about banking or helping corporate customers behind the scenes to set up marketing campaigns.

Our Contribution to Affordable Rental Homes in the Dutch Housing Market

In 2019, we teamed up with our subsidiary BPD with the aim of building sustainable energy-efficient homes for middle-income renters over the coming 10 years. For BPD Woningfonds 2020 was the starting year. The portfolio entails 600 new built rental homes completed and in operation and 400 rental homes under construction. Furthermore, 1,700 rental homes are acquired from BPD Ontwikkeling B.V. which is more than budgeted. For 2021, we foresee a further growth of the acquisitions. The fund management organization of BPD Woningfonds will be strengthened according to this growth. BPD Woningfonds plans to grow to a portfolio of 15,000 new built affordable and sustainable rental homes in 2029. Rabobank and BPD therefore contribute significantly to the societal problem in the Dutch housing market.

Rabobank Foundation

We invest part of our net profit in the Rabobank Foundation. As an independent foundation, the latter's financials are not included in our consolidated figures. Its mission is to invest in people's self-reliance. In the Netherlands, the Rabobank Foundation works with local Rabobanks, to focus on social entrepreneurship, employability and financial self-reliance. Internationally it supports small-scale farmers and their cooperatives. Smallholder farmers play a central role in producing enough food sustainably. We are working on a more integrated approach together with Rabo Foundation, Rabo Partnerships and other partners. By supporting the development of smallholder ecosystems in Africa, we aim to empower more than 25 million smallholder farmers and facilitate inclusive F&A chains that also involves improved access to finance for smallholder farmers).

Sustainability

Realizing our sustainability ambitions requires in-depth knowledge of our customers' performance. The Sustainability Policy Framework is designed for all our stakeholders and forms the basis of our sustainability standards for business relationships, and for providing financial products and services. Our sustainability policies align with the OECD (Organisation for Economic Co-operation and Development) Guidelines for Multinational Enterprises and describe our ambition to neither cause nor contribute to adverse social and environmental impacts.

Dilemma: Improving Sustainability

We have committed to pursuing the objectives of the Paris Agreement and the Dutch Climate Agreement and becoming the bank of the energy transition. These ambitious goals are a good fit with our cooperative bank's values, conduct, and mission: *Growing A Better World Together*. However, these goals also force us to make some tough decisions.

How will we deal with farmers who will not be able to continue expanding the way they had planned because of the climate goals? How can we as a bank help to create alternative perspectives? Increasing local food production (*Support your locals*) is one good example.

Even before Covid-19, it was difficult to make the right choices for the long- term while getting all stakeholders on board. The economic pressure created by the crisis may tempt us to postpone plans that present limitations, but giving into this would be to surrender to short-term thinking. Ethical decision-making requires us to be confident that the decisions we make now, with the knowledge currently available, are the most responsible ones for the long-term.

In that respect, the Covid-19 crisis provides an extra reason and opportunity to accelerate the steps we were already taking to increase sustainability. However, it will not make things any easier. In practice, it entails making some tough decisions about individual companies. It is essential that we carefully formulate and seriously consider the interests of all stakeholders in the decision-making process, so that we can clearly explain the choices we make.

Stakeholder Engagement

Stakeholder dialog plays an important role in our selection of material topics for reporting, and was paramount to the process of updating our Sustainability Policy Framework in 2020. We also engage with environmental and/or social welfare organizations on a number of topics. In ESG Facts & Figures, we provide a (nonexhaustive) list of these conversations' topics and outcomes. To help accelerate our key food transition ambitions, we developed a new strategic F&A Network strategy in 2020. The goal is to leverage the most relevant agenda-setting public and private networks (such as the EU institutions, World Economic Forum and the World Business Council) by building action-oriented food system coalitions and scaling our finance solutions.

Client Engagements
We engage informally with many customers on sustainability matters to support them in their transition towards more sustainable business practices. When we receive indications of potential non-compliance with our Sustainable Policy Framework or our approach (for example, through NGO reports, dialogs with customers or other stakeholders, or through media exposure), we enter into a formal engagement process with these customers. Sometimes these engagements lead to an adjustment of the customers' Client Photo, and the creation of a time-bound plan. The sustainability department has an advisory role in this process. We anonymized the report on our client engagements. Furthermore, as we have adopted the Soft Commodities Compact, a collaboration between the Banking Environment Initiative (BEI) and the Consumer Goods Forum (CGF). We also report on client engagements specifically within the soft commodity supply chains of soy, palm oil, PP&T (pare, pulp and timber) and beef. Read more about client engagement in ESG Facts & Figures.

Human Rights

We believe that human rights are universal, to be enjoyed by all people, no matter who they are or where they live. There are human rights dimensions to everything we do: from the treatment of our own employees to how our customers treat their employees and how they address land conflicts and labor abuses deep within their supply chains. That is why we carry out due diligence regarding human rights in our commercial relationships and why we measure the social and environmental impact of our customers via our Client Photo and Sustainability Matrix every year. (For more information, please refer to ESG facts and figures). We expect our customers to respect and promote human rights, *as described in the UN Guiding Principles on Business and Human Rights (UNGP)*, in their business decisions, and expect them to influence their suppliers to do the same. If violations come to our attention, we engage with our customers to help them improve. As a last measure, in some instances we may terminate our relationship with the customers. In 2020, we engaged with 32 customers on, amongst other things, suspected human rights violations and 5 relationships were terminated due to this process. Unfortunately, it is not always possible to inform all the affected stakeholders about the measures taken and the results, and there is work to be done to improve communication.

For more information on these engagements, please refer to our download ESG facts and figures.

Our Sustainability Policy Framework identifies our most salient human rights risks. Internationally, we are a leading financier of Food & Agriculture, a sector that comes with risks such as land conflicts, labor abuse and dangerous working conditions. These risks are further addressed in sector- and theme-specific sustainability policies.

Rabobank and the United Nations Principles for Responsible Banking

We became signatory to the United Nations Principles for Responsible Banking (UN PRB) in September 2019. Signatory banks need to report on their implementation of the Principles the first time within latest 18 months after signing and annually thereafter. As such, we published our first reporting and self-assessment template in March 2021.

There are six elements of the principles and self-assessment that are key to demonstrating fulfilment of the commitments as a signatory of the Principles for Responsible Banking. Five of the six areas are listed below and complemented with our conclusion / statement as to which extent we have fulfilled the requirements.

Impact Analysis (principle 2)
We are aware of our impact on society, with our own operations and indirectly with our role financing economic activities. We have used the UNEP FI Portfolio Impact Analysis tool to substantiate our focus our banking propositions. Within our Dutch business banking and international wholesale and rural banking portfolios, climate appeared as an omnipresent impact area. Within our Dutch retail clients portfolio, the impact area inclusive & healthy economies represented the largest share of our clients. We consider the requirements regarding Impact Analysis largely fulfilled, but obviously it can be improved still especially as more data become available and methods are more stable. We strive to improve the depth and completeness of our impact analysis continuously.

Target Setting (principle 2)
We support the Dutch Climate Agreement and the Paris Agreement and we have set targets to reduce our footprint. We have set a target on the impact area Inclusive and Healthy Economies. As such, we deem the requirement regarding Target Setting as fulfilled. We have also formulated a first round of targets and plans for emission reductions for our main portfolios (see Climate report; 6 goals) and we have set KPIs on sustainability (see Sustainability ambitions). We also set growth targets for the average client photo scores of our clients, and to the volume of sustainable financing, by which we stimulate ourselves and our

customers to become more sustainable. The report 'Our Impact in 2020' provides an overview of SDG impacts, reporting and targets.

Plans for Target Implementation and Monitoring, progress and governance structure (principle 3, 4 and 5)
We have set up a dedicated Rabo SDG Banking Committee and Climate Program to determine and accelerate sustainability and climate strategies, risks, opportunities, and to monitor progress. This includes performance management and all-level KPI setting. In this report, we also report a target on Financial Health & Inclusion for the first time, including a short-term target. As such, we have made progress on implementing impact targets and have fulfilled the requirements regarding these principles.

Progress on Implementing the Principles for Responsible Banking (principle 6)
We have made progress on implementing the principles for responsible banking by engaging in the setting and implementation of targets on one out of two major impact areas, as well as reporting an impact indicator and short-term target on another major impact area and setting up an appropriate governance structure. We participated in multiple international partnerships and collaborations (TCFD Working Group, UN PRB Working Group, NFRD Working Groups) to foster positive change. We consider our progress substantial yet recognize work needs to be done to ensure full implementation of the principles.

Ratings

Our efforts to promote sustainability worldwide were recognized by Sustainalytics who once again rated Rabobank number 1 among a group of 390 diversified banks. In addition, we were rated most sustainable brand among banks in the Netherlands. For more information on other sustainability ratings, please refer to ESG Facts & Figures.

TCFD

Climate change is a significant issue that will impact the long-term prosperity of our economy and way of life. Climate change creates risks and opportunities for our customers, our communities, and also for our bank. Our impact analysis reaffirmed that our customers are also concerned about climate impact. In 2017, we endorsed the Task Force on Climate-Related Financial Disclosures (TCFD). In 2020, we published our first climate report “Rabobank and Climate Change”, which explains our engagement with the topic of climate change in greater detail.

Governance
Responsibility for sustainability and climate at Rabobank rests with the Managing Board. In 2020, the Managing Board installed the Rabo Sustainable Development Goals Banking Committee, which meets every quarter to manage and oversee company-wide sustainability and climate ambitions, which are set for the period 2020-2024. Berry Marttin, the Managing Board member responsible for sustainability and climate chairs the Rabo SDG Banking Committee. One of the core participants within this program is the Climate Risk Team, a group of risk experts seeking to integrate climate risk into risk management and models.

Strategy
The transition to a low carbon economy presents significant risks and opportunities. Our Climate Program takes a phased approach to identifying and managing climate risk. In addition, we are preparing for improved analysis and management of climate change risks (for the short, medium, and long term). Climate change exposes our customers to two transitions: the actual change of climate and the transition to a low carbon economy. Our strategy incorporates climate change risks and opportunities as we aim to finance and guide customers through these two transitions. Our most significant potential climate impact is indirect via our customers.

Risk Management
The phenomenon of climate risk has not yet been structurally embedded in our risk framework, but we are currently working on embedding the climate risk in our risk framework, which will support the business with strategic decisions, next to steering and taking risk mitigations. We have developed a medium term roadmap to achieve this goal. The roadmap takes into account the ECB Guide on climate-related and environmental risks.

Risk identification is the first step in our risk management process. Climate risk has been identified as strategic risk: existing risks that are rapidly changing or evolving in an escalating fashion, which are difficult to assess due to limited data or other uncertainties. Given the pervasive, multi-dimensional nature of climate risk, we do not view it as a stand-alone risk category but a driver of existing risk categories in our risk taxonomy - Credit, Market, Liquidity, Strategic, Operations, Compliance, and Reputation risks. Each of these risk categories may be influenced by physical and transition climate risks.

Metrics and Targets
Climate risk measurement is at an incipient stage of development and there is no standard for climate metrics. The data gaps are significant, and that is particularly the case for our portfolio (residential mortgages, SME in Food & Agri and Trade, Industry and Services). Our Dutch Residential Real Estate portfolio together with our Dutch and International F&A portfolios have the largest potential climate impact and account for over 71% of our balance sheet exposure.

To address these challenges Rabobank has set up a dedicated sustainability data and analytics team as part of the climate program. In 2020, the team focused on taking stock of the internal and external data availability, defining the gap with the climate data needs and developing a roadmap to work towards client level data and close all relevant gaps in the coming years. As long as structured climate risk data is not available for a longer period, climate risk cannot be used as an input for our ECL models. However, when climate risk has an impact on our ECLs it will be added via a top-level adjustment.

A first step was set in 2020 by processing the data that is feeding into an ongoing heat-mapping exercise in order to qualify climate risks for the large portfolios mentioned before, in line with the ECB recommendations. For physical risks, we explored public data sources in line with the recommendations of the UNEP FI TCFD Phase II report "Charting a new climate". For transition risk, we focused on emission intensity as a proxy for vulnerability. We note that top-sector data for agriculture is characterized by large data gaps (see Rabobank's Climate report). For the first attempt, we used proprietary data from Global Trade Analysis Project (GTAP), as this source provides a high level of granularity than most public sources. In 2020, we provided a rough estimate of the carbon footprint of our Dutch SME portfolio based on the PCAF method (See our Climate report). Based on our share in outstanding loans per sector and the emissions allocated to those sectors, emissions financed by us account to 19,088 million kg CO_2 (2018 figures). For this TCFD-disclosure, we included a breakdown of our relative exposure.

Given the size of our mortgage obligations, we will also provide more information about our mortgage portfolio in this TCFD disclosure. As mentioned before, our largest portfolios are Dutch Residential Real Estate and Food & Agri. Due to data availability issues we limit ourselves in this disclosure to our mortgage portfolio. In the near future, as data becomes more available and reliable, we will expand our disclosure.

Dutch Residential Mortgages

Since we have a relatively large exposure in the Dutch housing market, our disclosure efforts are aimed primarily at our Residential Mortgage portfolio. The total of the Rabobank residential mortgage loans amounts to EUR 189 billion (2019: EUR 188 billion), which is 43% (2019: 43%) of the Rabobank total amount in loans and advances to customers EUR 436 billion (2019: EUR 441 billion) and 25% of the total amount of the Dutch residential mortgage loans (Q3 2020: EUR 745 billion, source: CBS)

Current CO_2 emissions caused by our portfolio is 5,943 million kg (2016 figures), based on the energy labels and homeowners' average energy consumption according to Dutch Statistics (CBS).

In 2020, 19% customers took measures to reduce their energy consumption when taking on a new mortgage and the energy label ratings of our mortgage portfolio improved as shown in the table below. In 2020, we reached our target of 25.05% A-labels (2020: 26%).

Energy Labels in the Mortgage Portfolio

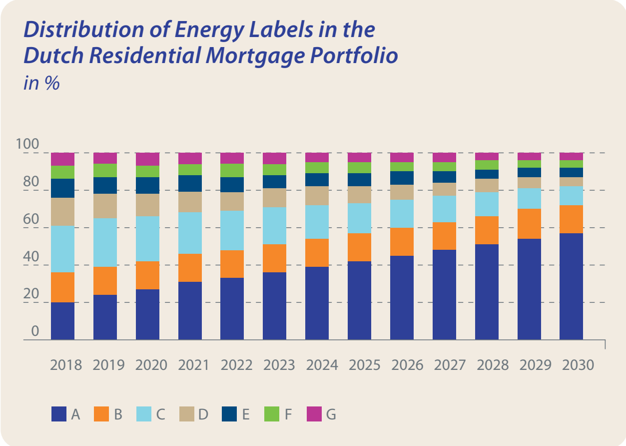
Energy label	% of houses funded by Rabobank (2020)[1]	% of houses funded by Rabobank (2019)[2]
A	26%	24%
B	15%	15%
C	25%	25%
D	13%	13%
E	8%	9%
F	6%	7%
G	6%	7%
Total	100%	100%

1 In 2020, approximately 30% of the mortgage portfolio has a confirmed energy label.

2 In 2019, approximately 21% of the mortgage portfolio had a confirmed energy label

Our aim is to improve our mortgage customers' average energy label performance by 5% annually. We have set the following targets:

- By 2024:
  - We aim to have an average energy label B within our mortgage portfolio
  - We aim to improve 125,000 homes by at least two energy labels (baseline 2019)
- By 2030
  - We aim to have an average energy label of A within our mortgage portfolio
  - We aim to improve 400,000 homes by at least two energy labels (baseline 2019)



We recognize the limitations of and inaccuracies in measuring the performance of the mortgage portfolio in terms of energy labels. Therefore, we strive to obtain more accurate data so that we can transform our goals to measurements in terms of carbon emission per square meter. We aim to make this transition in 2021.

In order to achieve these goals, we provided our financial advisors with specific training to become advisors with specific expertise on sustainability matters to discuss and offer these products and services to our customers. Some examples include:

- Integrated sustainability journey for home owners (Home Scan tool with direct option to obtain quotes from fulfillment partners);
- Green Mortgage;
- The Rabo Groendepot;
- Sustainability discount for low-energy homes;
- Green Storm Funding products.

Dutch Houses and the Potential Effect of Droughts
Recent droughts are impacting Dutch houses. Due to climate change, these droughts are expected to occur more frequently. Frequent droughts will increase problems with wooden foundations over time. As insurance and government do not cover this risk, a significant part of this damage will be borne by our customers, which could become an additional risk for the mortgage portfolio, as it might concern 3%-5% of our mortgage portfolio and it involves the well-being of our customers.

EU taxonomy

In 2020, we participated in the EBA's Pilot Sensitivity Exercise on Climate Risk. Within this pilot, we piloted on classification of a part of our exposures according to the EU taxonomy. We defined the scope of our portfolio during this exercise of all Corporate Non-SME exposures within EU, based on the reporting December 2019 (incl. the UK, without our subsidiairies DLL and BPD). Our resulting dataset covers EUR 66 billion in exposure over various sectors.

The EU taxonomy is, from the offset, designed to be used as a classification system for economic activities. It sets criteria for economic activities that are to be met in order to be classified as taxonomy aligned. These criteria, called Technical Screening Criteria (TSC), are measured in six dimensions. The six dimensions are the following:

1. Climate change mitigation
2. Transition to a circular economy
3. Climate change adaptation
4. Pollution prevention and control
5. Sustainable use and protection of water
6. Protection and restoration of biodiversity and marine resources and ecosystems.

These dimensions are combined to build up to the TSC. The criteria are:

- Significant Contribution (SC): contribute significantly towards one of the six dimensions
- Do-No-Significant-Harm (DNSH): avoid significant harm in the other five dimensions
- Meet minimum safeguards (e.g., UN guiding principles on business and human rights)

To classify the activities performed by a company as (potentially) aligned with the EU Taxonomy, it has to prove that it meets the required criteria for that economic activity. Only when the requirements are met, the client and usually only the revenue associated with this activity, can then be classified as aligned with the taxonomy, i.e. 'green'.

Since clients were not engaged for this pilot, we had to make several assumptions to start with sourcing information concerning the TSC.

In this exercise, we used a top down approach. Clients' revenue statements were investigated and relevant economic activities classified as potentially green. The resulting process is a first iteration and shows the challenges that are to be overcome to use the EU taxonomy.

The EU taxonomy is new legislation. Therefore, we were not surprised by the lack of published information by clients. This lack of available information is the largest hindrance to classify clients. That is why we had to make various assumptions that can have significant effect on the outcomes. Since this is completely new, other assumptions can lead to significantly different outcomes. Nevertheless, we found the pilot to be relevant for gaining experience.

The results show that:

- 30% of the exposures in scope are eligible, i.e. fall within the economic activities covered by the EU Taxonomy;
- 5% of the exposures in scope are also potentially aligned with the requirements of the EU Taxonomy.

In conclusion, this exercise has sharpened our senses. We know, to a certain degree, what the current state of our data (internally & publicly from clients) is.

Going Forward

We will continue to report our progress on our Climate Program and expect to include more granular emissions data in future reporting. In 2021, we will link the external climate data with portfolio data to identify the climate risk hot spots in our portfolio. These hot spots will provide the basis for further deep dives such as the flooding and foundation damage analysis. We will also tap into new sources in order to refine the heat-map work. This will include proprietary data for both physical and transition risk, as we are exploring the offering of several ESG providers. In addition, we are also setting the first steps towards developing client level emission data (proxies), by combining top-down sector data with bottom-up Life Cycle Assessment data for the Food & Agri portfolio and by developing carbon dashboards for several Dutch F&A sectors.

Largest Exposures by Industry or Counterparty Types in %

	2020	*2019*
Households	31.89%	34.23%
Food & Agri	21.57%	22.95%
Central Government/Banks	18.67%	12.52%
Banks	1.36%	1.77%
Services	11.10%	14.83%
Trade	5.84%	4.91%
Building and Construction	3.39%	3.09%
Oil and Gas Extraction	1.34%	1.55%
Transportation	1.78%	1.36%
Electricity	1.33%	1.10%
Production	0.37%	0.46%
Mining	0.09%	0.13%
Industry	1.27%	1.10%
Total	**100%**	**100%**

Empowered Employees

We aim to provide an inclusive working environment for our employees. Our employees are proud and driven, manifesting craftsmanship, vitality and adaptability. They feel empowered to represent Rabobank, are inspired by our mission, and want to grow a better world together. We want the most talented people to work, develop, and stay at Rabobank.

Empowered Employees

Diversity & Inclusion

Percentage of women ...

44% in the Managing Board

33% in the first level below the Managing Board

49% employed

"In my organization, I can be successful as my authentic self"

83%

Gender Pay Gap

Adjusted Pay Gap 1.6%

Number of Employees

Worldwide, as of December 31, 2020

43,272

FTE

December 31, 2019 = 43,822

Our people define who we are as Rabobank. Our employees help our customers achieve their ambitions.

Empowered Employees

Engagement Scan

69

81% of our employees like going to work at Rabobank

% of employees ...

max. 77%
min. 62%
is doing well during the COVID-19 crisis

max. 91%
min. 77%
is able to continue to deliver the same value as in the situation before the COVID-19 crisis

% of redundant employees

... that wanted a job

70%

... succeeded within 6 months

... that wanted to start their own business

76%

... succeeded within 6 months

Empowered Employees

Employee Well-being

Working from home has become the new normal. Our employees have quickly adapted to online meetings and events as part of everyday working life. We expect this transition to stick. The Covid-19 crisis has taught us that the "old normal" of commuting in a full train or getting stuck in traffic was actually not that great. We have learnt that certain work can be done more effectively from home. For this purpose, we have set up a cross-functional team that is designing experiments on hybrid work, for once working at the office is permitted.

At the beginning of the Covid-19 crisis, it immediately became necessary to understand how employees were doing while working from home, what they needed and what they expected from the organization. To track this, we set up a pulse survey. During 2020, between 62% and 77% of employees said they are doing well and between 77% and 91% reported they were able to continue to deliver the same value as before the Covid-19 crisis. We conducted 20 of these surveys during 2020, which gave us a sound basis for design interventions for employee well-being and employee experience, supporting employees and the functioning of the organization during the pandemic. At the peak of the crisis, when schools were closed, employees could take emergency leave. We have been facilitating employees in their changing needs and well-being by offering webinars, workshops and coaching throughout the crisis. We support teams in adjusting work agreements and rituals to virtual work, promoting walking meetings on the phone and taking regular breaks between virtual meetings. Where possible, we offer the option to safely meet colleagues occasionally. We also offer employees EUR 750 to improve their workspace at home.

Partly due to the Covid-19 effects, we saw our sick leave rates in the Netherlands decrease to 3.4% in a rolling 12-month period in 2020 (2019: 4.3%), which is below the Occupational Health & Safety Standard of 4.1%. The Occupational Health & Safety System monitors the number of cases of Covid-19 among employees while ensuring privacy both to make sure we support them where possible as well as to ensure business continuity and safety.

Dilemma: Working from Home

Covid-19 accelerated the existing trend of working from home. Prior to March 2020, working from home was considered an occasional, pleasant opportunity to work on a certain project without being interrupted or having to commute. From one minute to the next, Covid-19 changed an option that was *nice to have* into one that *must be done*.

Working from home has its advantages, but it also has its challenges, especially for people who are living in small quarters and/or have children to look after. This group is composed primarily of young people. Frequently they are also new to the organization, and this shift makes it very difficult for them to find their bearings. How can we familiarize them with the way a cooperative bank works, with our mission of *Growing a Better World Together*, and the values and conduct that we support? A lot of employees miss direct interaction with their colleagues. Only being in touch with people online has its limitations, and the long-term psychological effects of this shift are still uncertain.

The crisis raises many questions. How bad does someone's situation need to be before an exception to the general practice can be made? And does an exception like that still stand if the government tightens the general regime due to a larger number of infections? Should we be designing a type of roadmap? Or would that be like putting ourselves in a straitjacket? Can Rabobank decide to navigate its own course through the crisis or is it better to go along with other similar companies?

When we are considering the long-term, we also need to think about the opposite scenario. If working from home ceases to be the norm, but Covid-19 is still a threat, some employers might begin to expect their employees to come to the office at least two or three times a week. What if some of their employees do not feel comfortable doing that, for example, because they would have to travel by public transportation or because of a health condition? How much flexibility should employees be given? What alternatives could be offered to them? Another long-term issue is what to do with all the offices? A surplus of office space could potentially help solve the shortage of residential space. But what if the investment required to achieve that ties us down too much? When should we take which decision? These questions are not only practical, but also have an ethical side: what kind of working community do we want to have now and in the near future?

Employee Experience

Attracting the right employees is crucial in order to realize our strategy. Our Employer Value Proposition is strong and distinctive within the labor market. Based on this we scored very well in the Dutch Intermediary Favorite Employer Survey: sixth place overall (11 in 2019) and we are the winner in the sub-category banks & accountants (3 in 2019). Our underlying strategic target group positioning and campaigns made us successful in filling strategically important vacancies for the bank.

In 2020, we launched a global onboarding program for new employees. Every month we hold a virtual onboarding session *Growing better together* in which we welcome new employees and tell them about the roots of Rabobank, our strategy and behaviors.

Sustainable Employability

Employee Development

Because investing in our employees is important to us, we continue to focus on the development of our employees on the Rabobank Skills. Re-skilling and upskilling allows our employees to futureproof their skill sets, enabling them to design their own career and contribute to the transition of Rabobank and the realization of strategic business goals.

In 2020, we organized a series of Dare to be Inspired events, where inspirational (external) speakers shared stories related to Rabobank Skills with our employees. Next to that, we offer employee growth options with a personal annual development budget of EUR 1,000. During 2020, many development opportunities have been made digitally available. By the end of 2020, EUR 9.5 million (26%) of the total Personal Development Budget of 2020 is spent. The total budget for 2020 was EUR 37.1 million and consists of a full year 2020 budget and the un-used part of the 2019 budget. The remainder of the 2020 development budget (EUR 17.7 million) can be saved for next year. Due to Covid-19, these numbers are lower than prior years. Also in these times, we will continue to encourage our employees to develop and learn.

Number of Employees in the Netherlands

	Female	*Male*	*Unknown*	*Total*
Total:	13,525	15,041	4,294	32,860
- Permanent	11,672	11,967	1	23,640
- Temporary	842	881	4	1,727
- External	1,011	2,193	4,289	7,493
- Internal:	12,514	12,848	5	25,367
- Full-time	7,245	12,287	5	19,537
- Part-time	5,269	561	0	5,830

Our collective labor agreement negotiations with the trade unions (De Unie, FNV Finance and CNV Vakmensen) have not resulted in a new collective labor agreement. The consequence of the CLA parties not having reached an agreement is that there will be no new CLA as of 1 January 2021 and that agreements from the current CLA (2017-2020) will remain in force, with the exception of social plan and pension. We made new agreements about this in the summer of 2020, which will apply for a period of 2 years from 1 January 2021. We remain in dialog with the trade unions.

Collective Labor Agreement

99% Employees under Collective Labor Agreement	

The “SamenWerkt!” Mobility Center supports employees whose jobs are becoming redundant in several ways: finding training courses, advising on the best use of the personal development budget, updating skills when applying for a job - in or outside the bank - and networking. In 2020, 70% of the redundant employees who had also applied for a job, succeeded to find a job within six months, and 76% of the employees who wanted to start their own business achieved that goal within six months. Apart from supporting employees whose jobs are becoming redundant, Mobility Center ‘SamenWerkt!’ also supports employees who want to take control of their careers. 'SamenWerkt!' initiates and facilitates webinars and workshops, and offers personal conversations. In this way, 'SamenWerkt!' has reached 362 employees in 2020.

Strategic Resource Planning

We believe that future fit employees contribute to a future fit organization. Therefore in 2020, based on the business vision and HR trends (future of work), all domains further developed their strategic resource planning (SRP) process and HR interventions.

Cooperative Culture

Engagement

We use the quarterly engagement scan globally for short cyclical measurement of employee engagement and organizational health. Each quarter around 26,000 employees give their feedback (Engagement Scan). In 2020, we saw an increase of employee engagement from 64 in Q4 2019 to 69 in the same quarter of 2020. The number of employees who report that they enjoy going to work at Rabobank slightly decreased to 81% (2019: 85%).

Diversity and Inclusion

We firmly believe that diversity improves performance and increases creativity and innovation in the bank. Employees from different cultural backgrounds are better equipped to pinpoint the specific needs of groups of customers with a similar background. We aspire to be an inclusive culture that promotes greater diversity and in which everyone can be themselves. In our quarterly survey 82.9% of employees indicated that they can be themselves in our organization.

A global policy on Diversity & Inclusion applies to all of Rabobank, including our domestic and foreign branches and representative offices, as well as the Managing Board and Supervisory Board. We are proud that in our Managing board 44% is women and 33% women in the level below the Managing Board. Our Supervisory Board (HR & Remuneration committee) as well as our Diversity Board, comprising directors of local and central units and chaired by Berry Marttin, member of the Managing Board, monitor policy compliance and target progress.

Gender Diversity

% Women in:	2020	2019	2018	Target
Supervisory Board	38%	38%	44%	40%
Managing Board	44%	40%	40%	40%
First level below the Managing Board	33%	33%	31%	33%

We were proud to receive a Talent to the top ('Talent naar de top') award for our results on diversity.

As an employer, we are committed to equal opportunities. In 2020, we conducted extensive research on pay equality of our CLA population. We examined the unadjusted pay gap, in which only the difference in part-time and full-time contracts is taken into account, and the adjusted pay gap, that allows for a like-for-like comparison between employees with for instance the same job profile. This research showed a 24.7% unadjusted pay gap and an adjusted pay gap of 1.6%. The influences on the unadjusted pay gap include function, hours contractually worked, length of service and employee age, and primarily impacted by the distribution of men and women in our workforce. Moving forward we will continue to monitor pay equality and conduct further analysis to understand the root causes of this gap, enabling actions to be taken to structurally address the gap in the coming years. For more information, please refer to the ESG Facts & Figures .

Besides ongoing attention to stimulating more diversity in gender, culture and employees with a labor market disadvantage, we continue to foster the integration and self-reliance of holders of a residence permit by helping them with internships, apprenticeships and jobs. As a result, a total of 27 have started a job at Rabobank in 2020.

Leadership

Our leaders have a crucial role in changing our culture. In 2020, we further acquainted managers with the Rabobank Leadership Model. We focus on individual and network leadership: personal, team, One Rabo, and community. In September, we organized a two-day digital leadership event for our leaders worldwide. The goal was to inspire and encourage formal and informal leaders to enhance and cultivate their leadership skills and to think about how they can further contribute to *Growing a better world together*.

Speak up and Employee Voice

Rabobank aims at offering a safe working environment in which people are able to speak up freely about concerns, work-related problems, undesired behavior, misconduct and irregularities. 'Bureau Speak Up' and 'Just Ask' offer assistance in handling these matters and provide guidance on invoking any of the following procedures.

Bureau Speak Up, Just Ask and the Global Policy on Whistleblowing apply to Rabobank globally. Pursuant to the Dutch Collective Labor Agreement, the Industrial Relations Disputes Procedure (GRA), the Industrial Relations Disputes Committee (GCA) and the Social Plan Central Appeals Committee (CBSP) are all available to employees in the Netherlands. Internal and external trusted persons are available to employees worldwide.

Bureau Speak Up handled 93 requests (2019: 61), of which 80 were closed and 13 will continue in 2021.

Just Ask handled 176 cases, which number is made up of reports under the Geschillen Regeling Arbeidsverhoudingen and general questions that are HR related (2019: 193), of which 12 cases will continue in 2021. The Industrial Relations Disputes Committee (Geschillen Commissie Arbeidsverhoudingen) handled 37 new cases of which 33 cases are pending from earlier years. The internal trusted persons handled 83 cases. the Social Plan Central Appeals Committee decided on 16 formal appeals (2 appeals from 2019) regarding the application of the Dutch Social Plan in individual cases (2019: 30), of which 0 will continue in 2021.

The Trusted Committee under the Global Policy on Whistleblowing handled a total of 39 cases in 2020 (2019: 37), commissioned 20 investigations and issued 8 recommendations on the follow-up to responsible management. In 2020, 34 cases were closed and 5 will continue in 2021.

Rock-Solid Bank

We are doing the right things well, or even exceptionally well, with everyone taking ownership, remaining conscious of risks and operating as professionals. We are well aware of our role as gatekeeper to prevent the usage of our product and services for money laundering and terrorism financing. We aim to ensure our continuity with our financial performance and strong ratings. Therefore, we are working hard to improve our cost/income ratio.

Rock-Solid Bank

Results 2020
as of December 31, 2020

Fully loaded CET1 ratio 16.8%

RoE 2.7%

Cost/income ratio including regulatory levies 65.8%

Ambitions 2024

>14%

6-7%

low 60%

Ratings

S&P A+

Moody's Aa3

Fitch A+

DBRS AA

Sustainalytics

ESG Risk Rating 1 out of 390

Remaining a rock-solid bank is a cornerstone of our strategy. We strive to do the right things well, with everyone taking ownership and remaining conscious of the risks.

Rock-Solid Bank

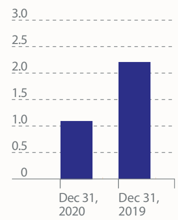
Financial Capital & Funding

40.6 EUR billion
2019 EUR 41.3 billion
Equity

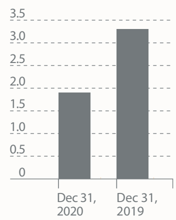
361 EUR billion
2019 EUR 342.5 billion
Deposits from customers

131.4 EUR billion
2019 EUR 151.7 billion
Wholesale funding

Net Profit as of December 31, 2020: 1,096 EUR million



Underlying Profit Before Tax as of December 31, 2020: 1,898 EUR million



in billions of euros

Loan Book

Private Sector Loan Portfolio	Volume of Loans to F&A	Volume of Loans to Trade, Industry and Services
409.4 EUR billion	105.4 EUR billion	111.7 EUR billion
2019 EUR 417.9 billion	2019 EUR 111.7 billion	2019 EUR 115.0 billion
-2%	-6%	-3%

Rock-Solid Bank

Being a rock-solid bank is a cornerstone of our strategy. We strive to do the right things exceptionally well, with everyone taking ownership and remaining conscious of the risks.

Financial Ambitions

Just before the outbreak of Covid-19, we confirmed our Financial Ambitions for the longer term but at the same time introduced shorter term ambitions to reflect the multiple challenges the banking industry faces. Since Covid-19, further pressure on interest rates and a deteriorating economic outlook is being observed, while the longer term impact of the pandemic as well as its recovery path is still uncertain. On the back of this, we decided to push back our financial ambitions for the efficiency ratio and return on equity (RoE) by 1 to 2 years. At the same time, we are bringing forward our ambition of a fully loaded Basel IV CET 1 ratio above 14% to 2024. We remain committed to achieve an efficiency ratio of mid 50% as well as a RoE of above 8% but this will be conditional upon a normalization of the interest environment.

As the 2020 results show, the RoE and efficiency ratio are affected by the effects of the Covid-19 pandemic and the continued lower interest rate environment. At the same time, our financial buffers have proven to be able to withstand an economic downturn with large-scale impact on clients, thanks to our longstanding strategy of strengthening the balance sheet. Even after nearly a year of pandemic, the capital position remains rock-solid and secure, providing the foundation to continue to support our clients. The CET1 ratio remained comfortably above our ambition, while the expected TRIM and new Definition of Defaulft (DoD) impact has been absorbed.

Financial Ambitions

	12-31-2020	*12-31-2019*	*Ambition 2024*	*Ambition longer term*
CET1 ratio	16.8%	16.3%	*>14%*	*>14%*
RoE	2.7%	5.3%	6-7%	>8%
C/I ratio[1]	65.8%	63.3%	low 60%	mid 50%

1 cost/income ratio including regulatory levies

Low Interest Rate Environment Persists

In addition to the significant impact of Covid-19, the persistent lower interest rate environment had a downward effect on our results. During the past several years, we had already experienced historically low interest rates, but in 2020, we actually saw a further decrease in interest rates. As a reflection of ECB policy, the 3-month Euribor rate dropped from minus 38 bps to minus 54 bps in the Netherlands and the 10-year interest rates on Dutch government bonds went down from minus 5 bps to minus 48 bps. For a large number of our business clients this resulted in lower lending rates on new loans and renewals and rates on new mortgages also dropped. Like other financial institutions, we had to decide to introduce negative interest rate for our retail current, savings and investment accounts for the portion of the credit balance over EUR 250,000. This rate change took effect as of January 1, 2021. Overall, the current circumstances resulted in a decrease of our net interest margin, which was 9 bps lower, at 130 bps. Also impacted by the deconsolidation of RNA, our net interest income in 2020 was down by 3%.

Dilemma: Low Interest Rate Environment

The low interest rate environment presents a significant and delicate dilemma for all banks, including Rabobank. Banks are charged negative interest on their deposits with the ECB, which has a downward effect on our results. We still believe it is undesirable to set negative interest rates for most private customers and we are doing our utmost to be able to maintain this position in the future. As the current extreme interest rate policy and monetary stimulation by central bank continues, we foresee similar challenges for the coming year.

Non-cash Distribution on Rabobank Certificates

The European Central Bank (ECB) and De Nederlandsche Bank (DNB) made several announcements in 2020 recommending banks not to pay dividends during the Covid-19 pandemic until at least October 2021. We adhered to these recommendations and did not make any distributions on the Rabobank Certificates in March, June and September 2020. On August 13, 2020, we announced that it adheres to the extended ECB recommendation (published on July 28, 2020) and that it will not be paying any cash distributions on Rabobank Certificates during the full year of 2020. The recommendations of the ECB did not preclude us from considering to make a distribution in the form of Rabobank Certificates. On November 30, 2020 Rabobank announced an exceptional distribution of the in the form of Rabobank Certificates in December 2020.

Increasing Efficiency Remains a Core Objective

Over the last years have taken several steps to further increase effectiveness and efficiency throughout our organization. We implemented a new operating model for our domestic operations. This and other initiatives resulted in a reduction of approximately 10,000 FTEs in our staff numbers since 2015. Since Covid-19, we observe a further pressure on interest rates and a deteriorated economic outlook. The effects of these circumstances on our income development are tangible. In addition, investments in digitization and projects related to the regulatory agenda like KYC (AML) temper the decrease in operating expenses. In 2020, our cost/income ratio, including regulatory levies, increased by 2.5 percentage point to 65.8% (2019: 63.3%). Several exceptional items[1] affected our cost/income ratio. We made adjustments for these items in our calculation of the underlying cost/income ratio, which amounted to 64.5% (2019: 63.0%).

Building on the initiatives from recent years, we have launched the new program "We Improve Now" (WIN). The ambition is to further strengthen the core of the bank while at the same time further reducing the cost base. The WIN-program will focus on simplifying the organization by creating a more effective and efficient operating model and enhanced services to our clients. We will further build on a stronger cost culture and more strictly focus on opportunities where we can make a difference given our role in society as a cooperative bank. Improvement of our cost/income ratio while being in control of our risks will therefore remain a priority for the coming years.

Since 2016, in anticipation of forthcoming regulations such as Basel IV, we have been actively preparing our infrastructure and processes to increase the flexibility of our balance sheet in the future. In 2020, we completed our divestment program. Between 2016 and 2020, we have divested our non-core assets.

Sound Capital and Liquidity Position

We set clear ambitions for our capital ratios. In 2020, we maintained our strong position. Our common equity tier 1 (CET1) ratio amounted to 16.8% (2019: 16.3%) on December 31, 2020. Adding part of our net profit to retained earnings raised our CET1 capital, impacting our CET1 ratio by 0.4 percentage points. Additionally, lower capital deductions supported the CET1 ratio. The new Definition of Default and TRIM increased risk-weighted assets (RWA), however, this was offset by a decrease in RWA due to amongst others the postponed DNB measure to apply a minimum risk weight for mortgages and the revised SME support factor. As our actual CET1 ratio is well above target, our focus remains on maintaining a significant management buffer over the SREP requirements. This gives us a sizable amount of capital to support our clients and the economy and increasing the ability to absorb potential losses resulting from Covid-19 and the future impact of Basel IV. The binding MREL requirement remains 28.58% of RWA as at 2017, which corresponds to 9.64% of Total Liabilities and Own Funds (TLOF). Our preliminary binding MREL requirement is 27.62% of RWA (including the stacked CBR) and 7.5% of Leverage Ratio Exposure, to be met by January 1, 2022. Our strategy is to meet this requirement with a combination of own funds and Non-Preferred Senior bonds (NPS). The MREL buffer divided by RWA further increased in 2020 from 29.3% to 30.2%, mainly due to profit retention and the issuance of a number of NPS.

Our dependence on wholesale funding is largely mitigated. Our total outstanding wholesale funding has decreased by EUR 72 billion since year-end 2015 to EUR 131 billion on December 31, 2020. Over the coming years, we will continue to issue NPS and covered bonds in order to further diversify and optimize our funding composition.

We endeavor to protect ourselves against the impact of a potential liquidity crisis whatever the cause might be. During the Covid-19 crisis, we put even more emphasis on this, resulting in an increase of our readily available liquidity buffers far beyond the regulatory requirements in order to protect ourselves and our customers. As a result, our Liquidity Coverage Ratio increased to 193% (2019: 132%). This increase was also driven by our EUR 40 billion participation in the TLTRO III program. Together with the extraordinary measures taken by Central Banks this provides us with the confidence that we can continue to service our clients and cover their long and short-term liquidity demands. We have a strong liquidity buffer, which increased to EUR 154 (2019: 112) billion. This liquidity buffer consists of EUR 119 (2019: 77) billion High Quality Liquid Assets (HQLA). In addition we have a portfolio of unencumbered, ECB eligible retained RMBS and covered bonds with a liquidity value of EUR 13 billion, which are available as contingent liquidity buffer, with additional eligible mortgage loan accessibility to increase this amount. The buffer is excluding EUR 34 billion weighted LCR Inflows.

1 The exceptional items include: the result on fair value items (2020 & 2019), the gain on the sale of RNA (2019), restructuring expenses (2020 & 2019), and expenses related to the derivatives framework (2020 & 2019).

Our Financial Performance

Rabobank

Conditions in 2020 were challenging to say the least. First, the Covid-19 pandemic has significantly impacted our results. Secondly, the lower interest rate environment continues to exert a negative effect on our net interest income and is becoming more material. Our income was lower than in 2019 and the current economic outlook resulted in materially higher impairment charges on financial assets (46 basis points). As a result net profit decreased to EUR 1,096 million.

Results were impacted by exceptional items[1], resulting in an underlying operating profit before tax of EUR 1,898 (2019: 3,294) million. The decline in underlying income increased our underlying cost/income ratio (including regulatory levies) to 64.5% (2019: 63.0%). Our return on equity (RoE) amounted to 2.7% (2019: 5.3%).

Excluding FX effects our private sector loan portfolio remained more or less stable. Deposits from customers rose by EUR 22.5 billion. Deposits at Domestic Retail Banking (DRB) increased by EUR 26.3 billion in 2020 in line with the general trend in the Dutch savings market related to the impact of Covid-19.

1 The non-recurring items include the result on fair value items, the sale of RNA, restructuring expenses, expenses related to the derivatives recovery framework and the impairment on our equity stake in Achmea.

Financial Results of Rabobank

Results			
Amounts in millions of euros	*12-31-2020*	*12-31-2019*	*Change*
Net interest income	8,184	8,455	-3%
Net fee and commission income	1,780	1,858	-4%
Other results	818	1,443	-43%
Total income	**10,782**	**11,756**	**-8%**
Staff costs	4,684	4,821	-3%
Other administrative expenses	1,463	1,715	-15%
Depreciation and amortization	395	420	-6%
Total operating expenses	**6,542**	**6,956**	**-6%**
Gross result	**4,240**	**4,800**	**-12%**
Impairment losses on goodwill and associates	283	300	-6%
Impairment charges on financial assets	1,913	975	96%
Regulatory levies	548	484	13%
Operating profit before tax	**1,496**	**3,041**	**-51%**
Income tax	400	838	-52%
Net profit	**1,096**	**2,203**	**-50%**
Impairment charges on financial assets (in basis points)	46	23	
Ratios			
Cost/income ratio including regulatory levies	65.8%	63.3%	
Underlying cost/income ratio including regulatory levies	64.5%	63.0%	
RoE	2.7%	5.3%	
Balance Sheet			
Amounts in billions of euros			
Total assets	632.3	590.6	7%
Private sector loan portfolio	409.4	417.9	-2%
Deposits from customers	361.0	338.5	7%
Number of internal employees (in FTEs)	35,222	34,451	2%
Number of external employees(in FTEs)	8,050	9,371	-14%
Total number of employees(in FTEs)	43,272	43,822	-1%

Notes to the Financial Results of Rabobank

Net Profit Decreased to EUR 1,096 Million

The main drivers behind our reduced result in 2020 were lower income and materially higher impairment charges on financial assets. Net profit halved to EUR 1,096 (2019: 2,203) million. The divestment of our international retail activities in 2019 and the persistent low interest rate environment had a downward effect on our income. The pandemic had a materially upward effect on impairment charges on financial assets, which increased to EUR 1,913 (2019: 975) million. The divestment of our international retail activities materially contributed to the lower expense base which decreased by 6%. The underlying operating profit before tax fell by EUR 1,396 million to EUR 1,898 million. Our underlying cost/income ratio – including regulatory levies – increased to 64.5% (2019: 63.0%).

Development of Underlying Operating Profit Before Tax			
Amounts in millions of euros		*12-31-2020*	*12-31-2019*
Income		**10,782**	**11,756**
	Fair value items	136	162
Adjustments to income	Sale RNA	0	(372)
Underlying income		***10,918***	***11,546***
Operating expenses		**6,542**	**6,956**
	Restructuring expenses	71	93
	Derivatives framework	(18)	40
Adjustments to expenses	Sale RNA	0	30
Underlying expenses		***6,489***	***6,793***
Underlying gross result		**4,429**	**4,753**
Impairment losses on goodwill and associates		283	300
Adjustments to impairment losses on GW&A	Impairment Achmea	*213*	300
Underlying impairment losses on GW&A		*70*	*0*
Impairment charges on financial assets		1,913	975
Regulatory levies		548	484
Operating profit before tax		**1,496**	**3,041**
Total adjustments		***402***	***253***
Underlying operating profit before tax		**1,898**	**3,294**

We retained EUR 822 (2019: 1,295) million of our net profit. Taxes amounted to EUR 400 (2019: 838) million at an effective tax rate of 27% (2019: 28%).

Decrease in Income

Net Interest Income 3% Lower

In 2020, our net interest income decreased by 3% and totaled EUR 8,184 (2019: 8,455) million. Both the divestment of our international retail activities (mainly RNA) and the low interest rate environment had a downward effect on our net interest income. Although we see volumes rising in Domestic Retail Banking (DRB), margins, mainly on payments accounts and savings are under severe pressure. The decrease in net interest income at Wholesale & Rural (W&R) is primarily the result of retail activities that we divested in 2019. This result was partly off-set by increasing commercial margins. The average net interest margin, calculated by dividing the net interest income by the average balance sheet total, reduced from 1.39% in 2019 to 1.30% in 2020. This decrease was partly driven by our EUR 40 billion participation in the TLTRO III program which inflated our balance sheet total.

Net Fee and Commission Income Negatively Impacted

Our net fee and commission income totaled EUR 1,780 (2019: 1,858) million which is 4% lower than last year. At DRB, lower net fee and commission income resulted mainly from higher commission expenses for payment services and fewer payment transactions by private individuals and SME clients. At W&R, net fee and commission income decreased as Covid-19 slowed down the economy with lower market activity. DLL's net fee and commission income decreased by 15% primarily due to a drop in syndication activities caused by the Covid-19 pandemic.

Other Results Decreased by 43%

Other results decreased to EUR 818 (2019: 1,443) million. The absence of positive revaluations as a result of the Covid-19 pandemic resulted in lower income from our Corporate Investment division. Our other results were positively impacted by a higher result on our stake in Achmea. In 2019 our other results were boosted by the sale of Rabobank National Association (RNA) to Mechanics Bank.

Operating Expenses Decreased by 6%

Staff Costs 3% Lower

In 2020, Rabobank's total staff numbers (including external hires) decreased by 550 FTEs to 43,272 (2019: 43,822). Staff level at DRB decreased by 609 FTEs as a consequence of centralizing services, but this decrease was offset by FTE increases for Customer Due Diligence (CDD), transaction monitoring and investing in the bank's digital infrastructure. Driven by our divestment of retail operations in Indonesia, staff numbers at W&R decreased by 234 FTEs. Additionally lower travel and hotel expenses and lower variable pay helped control our staff costs. Staff levels at DLL increased to accommodate business growth and provide extra staff to address the needs of customers arising from the Covid-19 pandemic. Overall, staff costs decreased to EUR 4,684 (2019: 4,821) million.

Other Administrative Expenses Decreased by 15%

Total other administrative expenses decreased to EUR 1,463 (2019: 1,715) million. Lower expenses related to the SME derivatives recovery framework, lower restructuring expenses and VAT relief in 2020 had a downward effect on other administrative expenses in 2020. Lower expenses at W&R were also driven by the divestment of our retail activities in 2019. Higher other administrative expenses at DLL were mainly caused by higher costs related to collection and recovery. In addition, other administrative expenses were upwardly impacted by an impairment on our data centers.

Depreciation and Amortization Down by 6%

Following the reduction of property in own use by DRB, depreciation and amortization decreased to EUR 395 (2019: 420) million. This decrease was tempered by higher depreciation of internally generated software at W&R in the Netherlands and Australia.

Impairment Losses on Goodwill and Associates

In 2020, operating profit before tax was pressured by an impairment of Rabobank's equity stake in Achmea (EUR 213 million) and an impairment on goodwill (EUR 70 million) at DLL. During 2020, the Covid-19 outbreak severely affected macroeconomic and market conditions worldwide, further exacerbating the low interest rate environment which has adverse implications for the European insurance sector, including Achmea. As a result, insurers are significantly challenged by asset allocations, profitability, solvency and business model adaptation. This development triggered the assessment of the value of the investment in Achmea including an update of the underlying model assumptions, which resulted in a downward adjustment of the carrying value of the equity investment in Achmea. Following the deterioration of market circumstances and the economic outlook, DLL impaired EUR 70 million of goodwill for one of its subsidiaries. After this impairment, no goodwill related to leasing subsidiaries remains on the balance sheet.

Impairment Charges on Financial Assets

Impairment charges on financial assets amounted to EUR 1,913 million. This represents an increase of EUR 938 million compared to the same period last year, which we largely attribute to the impact of the Covid-19 pandemic outbreak and the subsequent lockdown measures taken by governments to contain the spread of the coronavirus. A large part of this increase relate to Stage 1 and Stage 2 impairment charges: a total of EUR 893 (2019: 239) million. On an annual basis impairment charges on financial assets amounted to 46 (2019: 23) basis points, which is above the long-term average (period 2010-2019) of 29 basis points.

The timely and collective action of governments and regulatory bodies was instrumental in mitigating and delaying the immediate effect of Covid-19 on our clients. When the marco-economic outlook became more positive in the second half of the year, a potential release in the model-based allowances emerged. The translation of the dire economic circumstances into more defaults scarcely occurred in large parts of the portfolio due to the before-mentioned collective actions. We do however anticipate higher (delayed) defaults in 2021 and decided to introduce significant Top Level Adjustments to compensate for the lower outcomes of the model-based allowance calculations.

On December 31, 2020 the non-performing loans (NPL) had decreased to EUR 13.9 (2019: 15.7) billion. The NPL ratio was 2.5% (2019: 3.0%) and the NPL Coverage ratio was 23% (2019: 20%). The decrease of NPL is mainly in the domestic business portfolio and the result of proactive NPL management.

Balance Sheet Developments

Balance Sheet

Amounts in billions of euros	*12-31-2020*	*12-31-2019*
Cash and cash equivalents	108.5	63.1
Loans and advances to customers	436.2	440.6
Financial assets	20.1	17.3
Loans and advances to banks	21.4	29.3
Derivatives	29.6	23.6
Other assets	16.5	16.7
Total assets	**632.3**	**590.6**
Deposits from customers	361.0	338.5
Debt securities in issue	113.5	130.4
Deposits from credit institutions	61.2	25.2
Derivatives	28.4	24.1
Financial liabilities	6.2	6.7
Other liabilities	21.3	24.3
Total liabilities	**591.6**	**549.3**
Equity	40.6	41.3
Total liabilities and equity	**632.3**	**590.6**

Underlying Private Sector Loan Portfolio Stabilized

Our private sector lending decreased by EUR 8.5 billion to EUR 409.4 billion on December 31, 2020. Excluding currency fluctuations the private sector loan portfolio decreased by approximately EUR 1.3 billion. The mortgage portfolio stabilized at DRB, where strong new production balanced out with the high level of early repayments. DRB's total private sector loan portfolio amounts to EUR 271.3 billion (2019: 271.2). Mainly driven by FX effects, W&R's loan portfolio decreased by EUR 6.5 billion and DLL's portfolio ended up EUR 1.3 billion below the December 31, 2019 level. Corrected for FX effects, the DLL portfolio showed a slight increase. The combined commercial real estate loan exposure across all segments amounted to EUR 19.6 (2019: 19.8) billion on December 31, 2020.

Loan Portfolio

Amounts in billions of euros	*12-31-2020*	*12-31-2019*
Total loans and advances to customers	**436.2**	**440.6**
Of which to government clients	2.0	2.1
Reverse repurchase transactions and securities borrowing	17.4	13.6
Interest rate hedges (hedge accounting)	7.4	7.0
Private sector loan portfolio	**409.4**	**417.9**
Domestic Retail Banking	271.3	271.2
Wholesale & Rural	105.9	112.4
Leasing	31.9	33.2
Property Development	0.1	0.3
Other	0.2	0.9

The geographic split of the loan portfolio (based on debtor's country) on December 31, 2020 was as follows: 72% in the Netherlands, 9% in North America, 8% in Europe (outside the Netherlands), 6% in Australia and New Zealand, 3% in Latin America, and 2% in Asia.

Loan Portfolio by Sector[1]

Amounts in billions of euros	*12-31-2020*		*12-31-2019*	
Loans to private individuals	192.2	47%	191.2	46%
Loans to trade, industry and services	111.7	27%	115.0	28%
of which in the Netherlands	*79.4*		*78.0*	
of which in other countries	*32.3*		*37.0*	
Loans to Food & Agri	105.4	26%	111.7	27%
of which in the Netherlands	*40.3*		*42.3*	
of which in other countries	*65.2*		*69.3*	
Private sector loan portfolio	**409.4**	**100%**	**417.9**	**100%**

1 In the country where the entity is established.

Deposits from Customers Increased by EUR 22.5 Billion

Total deposits from customers increased significantly to EUR 361.0 (2019: 338.5) billion. Our loan-to-deposit ratio (LtD ratio) landed at the historically low position of 1.12 (2019: 1.22). Deposits from DRB customers increased to EUR 279.4 (2019: 253.1) billion partly as a result of lower spending due to the Covid-19 pandemic combined with unused holiday allowances. Retail savings at DRB increased by EUR 11.1 billion to EUR 134.8 billion. Deposits from customers in other segments decreased to EUR 81.7 (2019: 85.5) billion mainly because of lower volumes at W&R and Treasury.

Deposits from Customers

Amounts in billions of euros	*12-31-2020*	*12-31-2019*
Retail savings	**155.9**	**145.8**
Domestic Retail Banking	134.8	123.7
Other segments	21.1	22.1
Other deposits from customers	**205.1**	**192.7**
Domestic Retail Banking	144.6	129.3
Other segments	60.6	63.4
Total deposits from customers	**361.0**	**338.5**

Equity

Our equity decreased to EUR 40.6 (2019: 41.3) billion mainly because of the call of a Capital Security, which was partly compensated by an additional tier 1 issue. Our equity on December 31, 2020 consisted of retained earnings and reserves: 69% (2019: 68%), Rabobank Certificates: 19% (2019: 18%), Capital Securities: 11% (2019: 13%), and other non-controlling interests: 1% (2019: 1%).

Development of Equity

Amounts in millions of euros	
Equity at the end of December 2019	**41,347**
Net profit for the period	1,096
Other comprehensive income	(663)
Payments on Capital Securities issued by Rabobank	(234)
Redemption of Capital Securities	(1,880)
Issue of Capital Securities	1,000
Other	(34)
Equity at the end of December 2020	**40,632**

Capital Developments and Risk Information

Capital Developments

Maintaining a Strong Capital Position

Capital Ratios		
Amounts in millions of euros	*12-31-2020*	*12-31-2019*
Retained earnings	29,234	28,910
Expected distributions	(2)	(3)
Rabobank Certificates	7,822	7,449
Part of non-controlling interest treated as qualifying capital	0	0
Reserves	(1,382)	(753)
Regulatory adjustments	(1,080)	(2,007)
Transition guidance	55	0
Common equity tier 1 capital	**34,647**	**33,596**
Capital securities	4,441	4,951
Grandfathered instruments	41	313
Non-controlling interests	0	0
Regulatory adjustments	(67)	(106)
Transition guidance	0	0
Additional tier 1 capital	*4,415*	*5,158*
Tier 1 capital	**39,062**	**38,754**
Part of subordinated debt treated as qualifying capital	10,816	13,299
Non-controlling interests	0	0
Regulatory adjustments	33	(92)
Transition guidance	(60)	0
Tier 2 capital	**10,789**	**13,207**
Qualifying capital	**49,851**	**51,961**
Risk-weighted assets	**205,773**	**205,797**
Common equity tier 1 ratio	16.8%	16.3%
Tier 1 ratio	19.0%	18.8%
MREL buffer	30.2%	29.3%
Total capital ratio	24.2%	25.2%
Equity capital ratio	18.0%	17.7%
Common equity tier 1 ratio of Coöperatieve Rabobank U.A. solo (issuer level)	16.0%	16.8%

On December 31, 2020, our CET 1 ratio amounted to 16.8% (2019: 16.3%). This is well above our >14% ambition. The development of the CET 1 ratio was positively influenced by the addition of net profit to retained earnings and a decline in IRB shortfall as a result of increased IFRS 9 allowances. RWA was roughly stable. We calculate our leverage ratio – our tier 1 capital divided by our balance sheet positions and off-balance-sheet liabilities – using the definitions provided in the CRR/CRD IV. Our leverage ratio on December 31, 2020 was 7.0% (2019: 6.3%), which is well above the minimum leverage ratio of 3% required by the Basel III guidelines. The leverage ratio was positively influenced by the exclusion of Central Bank exposures from the total balance sheet positions. This measure was part of the "CRR quick fix". In line with our capital strategy we issued NPS instruments to meet future MREL requirements. Our total capital ratio decreased to 24.2% (2019: 25.2%) following the call of several Tier 2 instruments and the amortization of the eligible amount of outstanding Tier 2 instruments, in line with our intentions. Total capital will be trending further downward towards 20%.

Risk-weighted Assets

In anticipation of Basel IV, we will continue to strengthen our capital position in the next few years. The implementation date of Basel IV has been postponed to 2023 in response to the Covid-19 crisis. In 2020, overall RWA were stable at EUR 205.8 (2019: 205.8) billion. A variety of factors offset one another. While the new Definition of Default and TRIM increased RWAs, this is offset by a decrease in RWA due to among other things, the postponed measure of De Nederlandsche Bank (DNB) to apply a minimum risk weight for mortgages, the revised SME support factor and lower operational risk RWA.

Based on pro-forma calculations we estimate that the remaining impact of the Basel Committee proposals will lead to an increase in risk-weighted assets of 15%-18% on a fully loaded basis. The postponed implementation of Basel IV gives us additional time to prepare for and mitigate the impact. We based our estimate of the remaining Basel IV impact on our current interpretation of the proposals (including credit risk, operational risk, market risk, CVA, and the aggregated output floor) and the choices we currently anticipate in connection with the Basel proposals. The ultimate impact of Basel IV could be mitigated through:

- Changes in product and portfolio composition, for example, a reduction of committed credit lines and undrawn headroom in credit lines;
- Distribution of assets;
- Data improvements such as data mapping, improved revenue information storage, collateral information, external ratings, and/or;
- Repricing of longer-term assets.

Regulatory Capital

Our regulatory capital requirement is 8% of our risk-weighted assets. Our requirement represents the minimum amount of capital which the CRR and CRD IV require us to hold. Our regulatory (required) capital amounted to EUR 16.5 (2019: 16.5) billion on December 31, 2020, of which 83% related to credit and transfer risk, 14% to operational risk, and 3% to market risk.

Regulatory Capital by Business Segment		
Amounts in billions of euros	*12-31-2020*	*12-31-2019*
Domestic Retail Banking	5.9	6.0
Wholesale & Rural	6.6	6.7
Leasing	1.6	1.6
Property Development	0.3	0.3
Other	2.0	1.7
Rabobank	**16.5**	**16.5**

Our MREL Eligible Capital Buffer

We aim to protect senior creditors and depositors against the unlikely event of a bail-in. We therefore hold a large buffer of equity, subordinated debt, and non-preferred senior debt that will absorb initial losses in the event of a bail-in.

We have received formal notification from DNB) of the Single Resolution Board's (SRB) determination of the binding minimum requirement for own funds and eligible liabilities (MREL). The MREL requirement was established to ensure that banks in the European Union have sufficient own funds and eligible liabilities to absorb losses in the event of a potential bank failure. This MREL requirement is set at a consolidated level for Rabobank, as determined by the SRB for the time being. The binding MREL requirement remains 28.58% of RWA as from 2017, which corresponds to 9.64% of Total Liabilities and Own Funds (TLOF). Our preliminary binding MREL requirement is 27.62% of RWA (including the stacked CBR) and 7.5% of Leverage Ratio Exposure, to be met by January 1, 2022.

We define our MREL eligible capital and debt buffer as qualifying capital plus the non-qualifying part of the grandfathered additional tier 1 instruments, the (amortized part of) tier 2 capital instruments with a remaining maturity of at least one year, and Non-Preferred Senior bonds with a remaining maturity of at least one year. The buffer increased from EUR 60.3 billion to EUR 62.2 billion due to profit retention and the issuance of new instruments corresponds with 30.2% (2019: 29.3%) of risk-weighted assets. Our additional MREL needs are manageable.

MREL Eligible Capital Buffer		
Amounts in billions of euros	*12-31-2020*	*12-31-2019*
Qualifying capital	49.9	52.0
Non qualifying grandfathered additional tier 1 capital	0	0
Amortized tier 2 >1 year remaining maturity	2.7	1.7
Non-Preferred Senior bonds > 1 year remaining maturity	9.7	6.7
MREL eligible capital and Non-Preferred Senior bonds buffer	**62.2**	**60.3**
Risk-weighted assets	205.8	205.8
MREL eligible capital and Non-Preferred Senior bonds buffer / risk-weighted assets	30.2%	29.3%

Risk Management

As part of our overall strategy, we have a risk policy to support our strategic goals. Banking for Food and Banking for the Netherlands both entail specific risks and expose the bank in both domestic and international markets to macroeconomic, political, regulatory, and societal developments. Sound risk management enables us to serve our customers and satisfy our stakeholders.

Without taking risks, profitable banking activities are impossible, which is why we accept a certain degree of risk as defined in our Risk Appetite Statement (RAS). Every day, we take informed risk decisions while engaging with (new) customers, granting credit, entering into interest rate contracts, and providing other services. We design risk and control processes in order to manage the material risks. We employ a comprehensive approach to risk management, so that we manage the risks we face with a solid risk management framework, aligned with our conscious risk taking. We evaluate the effectiveness of the risk framework continuously and adapt to the latest developments and/or requirements. In the end our risk management activities are designed to help realize our ambitions and those of our customers and stakeholders.

Developments

For risk management and the risk management function the year 2020 has created an additional challenge as a result of the (economic) fallout around the Covid-19 outbreak.

- As a result of the Covid-19 crisis, significant effort has and continues to be allocated to ensuring stable operations, continuity of business and safety operations. A full crisis management organization was installed and is still operational, to deal with both the financial and non-financial aspect of this crisis. The crisis management organizations are at different levels within Rabobank and enables us to adequately manage different types of crisis situations.
- Additional measures were taken with regard to business continuity management. Our Damage Assessment Team (DAT), managed the crisis and implemented waiver processes for the assessment and acceptance of temporary elevated risks. The waivers related to exceptions on prevailing policies and procedures in this crisis situation. A number of the activities performed during the crisis, are to be embedded in the regular Business Continuity Management processes, for example the importance of Human Resource Management and facilities have increased.
- We use stress testing and scenario analysis as an important risk management tool for strategic decisions and capital planning. During 2020, we have carried out several stress tests. To assess the impact of Covid-19 we performed regular Covid-19 stress tests in order to analyze the impact of various scenarios. Furthermore, we performed our regular firm-wide internal stress test. Stress testing is executed in parallel to base case plans such as Business Model Analysis and Capital Planning and is used to challenge those plans.
- The macro economic scenarios and anticipated impact on each sector has been used in sector analysis. These are subsequently translated in the strategy on sectors including the impact on underwriting criteria.
- Central banks took measures to ensure that banks remain in a position to absorb losses and continue lending to the economy during the Covid-19 pandemic. Banks were encouraged to draw on their capital and liquidity buffers, to grant payment moratoria to groups of customers without the obligation to classify these customers immediately as forborne. Governments provided significant assistance to customers, either directly or through government guaranteed programs.
- The mortgage portfolio has remained very robust and client requests for postponements were very limited. We provided significant Covid-measures to assist our business customers. Deferral of payments holidays to customers related to an underlying exposure of EUR 21 billion. These measures focused on preventing acute financial stress but took the best interests of our customers for the medium and long term into account as well. In the meantime, these measures have mostly expired with less than a billion outstanding and so far hardly led to payment difficulties. As a consequence, the inflow financial difficulties and NPL of our Dutch business activities have been limited so far. The ability of customers to adjust, government measures and our own efforts seem to be the driving forces for this. Nevertheless, various sectors are under pressure due to the lock-down situations and a delayed impact of customers getting into financial difficulties is anticipated. Our business and FR&R have increased resourcing to absorb a possible increase inflow of customers in financial difficulties.
- In general, the F&A sector has been resilient during the crisis (with the exception of food services). For wholesale, significant inflow into FR&R has been observed and corresponding specific provisions.
- In 2020, we invested substantially in KYC activities, in resources as well as in further automation and innovation. The change program includes initiatives to enhance our global Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) and Sanctions framework. Despite our efforts, DNB determined that Rabobank did not meet the requirements of the injunction we received in September 2018. As a result, a penalty ('dwangsom') of EUR 500,000 has been forfeited.
- With regards to Transaction Reporting a comprehensive program runs to identify and remediate existing impediments in our current transaction reporting framework, address

structural solutions relating to the IT landscape and enhance the quality of data management. Important progress was made in all these areas in2020, with further steps to be taken in 2021.

Because we are dedicated to continuous improvement we further assessed and strengthened our overall risk management framework in 2020. Some of these developments include the following:

A further strengthening and clarification of the Three lines of responsibility (3LoR) concept with in a number of cases subsequent (organizational) changes. 3LoR is the way we organize ourselves to collaboratively deal with risks in a proactive and responsible way. It means we are clear on our own role and responsibilities, while respecting and understanding the roles & responsibilities of others. It enables us to DO the right thing in all our daily activities for our customers. By allocating clear responsibilities to those who take risk, a more effective and efficient risk management is realized. This will allow for appropriate risk taking and lighten resourcing.

Despite our efforts to continually improve our risk management framework, losses and incidents cannot always be avoided. Nevertheless, we monitor (operational) losses and incidents closely and analyze them to reduce the risk of future reoccurrence. Additionally, it must be noted that our continuous drive to improve our risk management presents an underlying risk: unclear regulations can be subject to multiple interpretations, particularly when regulations are still under development or regulations that conflict with each other. Furthermore, there is also a risk of a change in regulatory guidance or that courts will set new legal standards.

How We Manage Risks

Risk Governance

Our internal governance ensures transparent and consistent lines of responsibility across Rabobank. The formal risk governance supports the realization of our strategic priorities and is based on regulatory guidelines and market practices. Clarity of roles is ensured through three lines of responsibility.

First and foremost, the business (including support functions) has ownership of the risks, which it manages and takes responsibility for (first line). Global policies support their execution of the business strategy, adherence to risk appetite, and oversight of risks. Our risk management framework is provided by the Risk Management and Compliance function (second line). Both functions challenge risk taking and monitor the risk profile. Internal Audit (third line) provides independent assurance, advice, and insights on the quality and effectiveness of internal control, risk management, compliance, and governance of the bank.

The responsibilities and authority of the internal control functions (Risk Management, Compliance and Audit) are clearly documented in their respective charters. The risk management framework covers material banking risk types, such as credit risks, market risks, interest rate risks in the banking book, liquidity risks, business risks, and operational risks (including compliance, tax and legal risks). Risk classification allows for clear definitions and promotes a common understanding of risk management. In addition to the main risk types, the risk management framework also uses a more granular classification for risks such as FX translation risk and model risk. The risk appetite is determined per main risk type to manage alignment of the risk profile with the strategic priorities.

Risk and compliance management capability is fully integrated at both group level and the business unit level. Risk representation lies within the key management teams of the group. They foster a strong risk and integrity culture and act to ensure that all bank activities and behaviors comply with internal and external requirements. This results in better awareness, improved understanding and management of risks, enhanced cooperation with the business and well-informed decision-making.

Strategy

Our mission *Growing a better world together* underlines our cooperative roots and emphasizes our dedication to enabling our customers to achieve their ambitions. Our strategy defines priorities, objectives, and targets, including a capital strategy. Our Risk Strategy supports management in executing the business strategy and focuses on the following goals:

- Protect profit and profit growth: our business strategy strongly relates to our cooperative nature, and to generating healthy profits generation while realizing a high standard in serving our members, customers, and society. We make transparent choices related to where capital and resources can be used most efficiently or appropriately with respect to sectors.
- Maintain a solid balance sheet: sound balance sheet ratios are essential to ensure continuity in servicing our customers under sustainable and favorable conditions. This entails a stable funding capability, strong liquidity buffers, and ample solvency.
- Protect our identity and reputation. We protect the fundamental trust that stakeholders have in our bank.

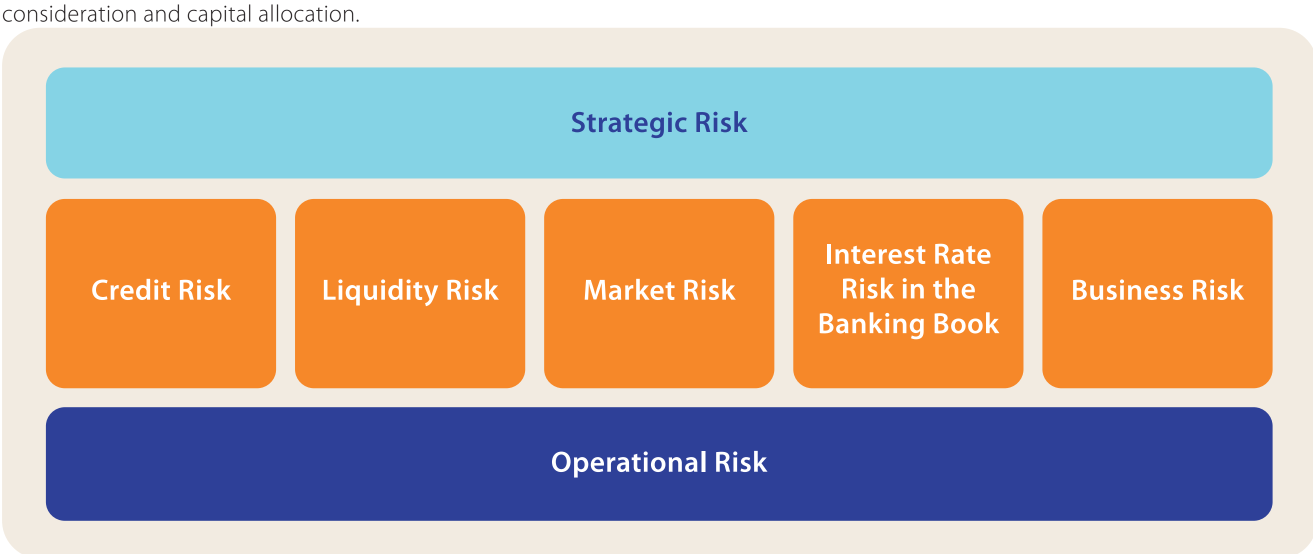
These priorities are strongly interwoven, and fully depend on maintaining sound governance and risk culture. Delivering long-term customer value requires a solid balance sheet and cost-efficient funding to support our bank's profitability and good reputation. At the same time, maintaining a solid balance sheet requires healthy profitability and a sound reputation.

Material Risks

To deliver on the (risk) strategy it is imperative that we understand the risks we face. Our risk identification efforts result in granular risks that are specific for time and context. We register, assess, and mitigate these risks when necessary and subsequently map them into a taxonomy, which lists and defines risk types and subtypes into hierarchies, enables classification of identified risks and provides transparency on ownership of risk type definitions. The Taxonomy of Risk Types is also used as a basis to determine the materiality of risk types, which are the subject to risk appetite consideration and capital allocation.

In general, the figure below shows three dimensions for identifying risks, represented by different colors:

- Developments that threaten to disrupt the assumptions and outcomes at the core of Rabobank's strategy (represented in blue). These developments are yet not risks, but could potentially materialize in the future in one of our material risk types.
- Risks that we consciously accept in order to gain benefit of the premium that the market offers for taking on those risks (represented in orange) that is, risks for which we have a risk appetite.
- Risks for which we have no appetite, but which are tolerated within limits because they are inherent to the operation of the bank. They have no upside, but only downside impact (represented in dark blue).



Risk Appetite

Our Risk Strategy is embedded in a set of Strategic Risk Statements directly linked to the strategy and the Medium Term Planning 2021-2025 along the four strategic themes of Customer Focus, Rock-Solid Bank, Meaningful Cooperative, and Empowered Employees. These themes define the high-level boundaries of the risk appetite within which we must operate. The Risk Appetite Statement (RAS) specifies the Strategic Risk Statements and defines per material risk type the levels of risk we are willing to accept to achieve our business objectives. The RAS articulates our overall maximum level of risk exposure, both quantitatively and qualitatively, and is used in all business activities to assess the desired risk profile against the risk-reward profile of a given activity. Our risk appetite is an integral part of our strategy and is incorporated in budget planning where it influences day-to-day risk-taking. Entity-specific risk appetite statements further specify the group risk appetite at entity level.

The several material types of risk inherent in our business model and strategic plan are actively identified, assessed, mitigated, and monitored. Nevertheless, unforeseen developments could always impede the overall business plan. The risks encountered in the business impact one or all of these areas, of which the main financial indicators are:

- Common Equity Tier 1 ratio
- Total Return on Invested Capital
- Score RepTrak Indicator (Reputation)

The risk appetite is embedded across Rabobank within principles, policies, indicators, limits and controls. The combination of a breach management process and appropriate governance ensures an adequate and timely response. The risk appetite is reviewed and updated at least once a year, depending on internal or external events with material impact. Moreover, Managing Board level decision-making regarding the Medium-Term Plan 2021-2025 was carried out while consciously accepting the risks arising from the business strategy.

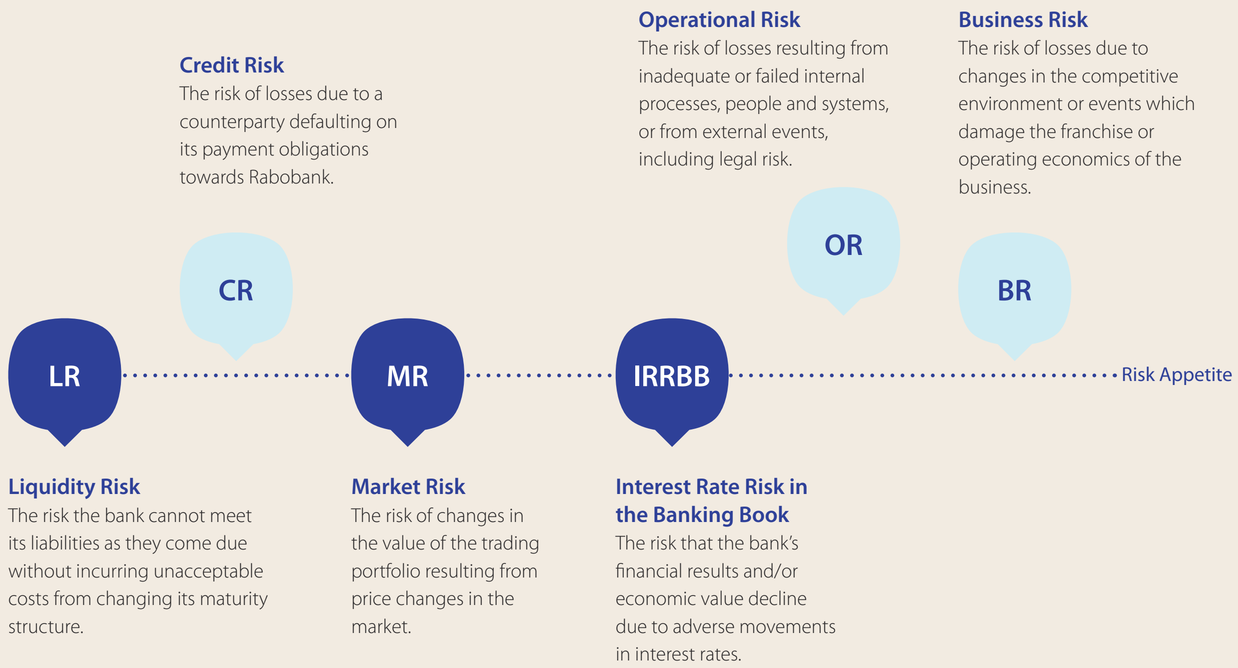
Risk Appetite Statement

Risk Type	*Risk Appetite Statement*	*Examples of KRIs to support our Risk Appetite Statement*
Credit Risk	Maintain a profitable credit portfolio with a controllable risk profile in order to limit the impact of bad debt costs on the profitability and reputation and as a means to serve our customers well.	* Average probability of default inflow * Impairment charges on financial assets * Concentration limits
Liquidity Risk	We accept a certain level of liquidity risk, as this is identified as a source of earnings and value creation, but we want to meet expected and unexpected cash flows and collateral needs at any time without materially affecting our daily operations or financial stability. In the baseline our internal liquidity risk appetite is more conservative than the legislative constraints.	* Liquidity Coverage Ratio * Net Stable Funding Ratio (NSFR) * Loans to Stable Funding
Market Risk	Maintain modest exposure to market movements in the trading environment.	* Event Risk * Value at Risk
Interest Rate Risk	Following the strategy and the transformation role as retail bank, we accept a level of interest rate risk, as this may be an important driver of profit. However, losses due to changes in interest rates should not threaten our financial stability.	* Earnings at Risk * Modified Duration
Operational Risk (incl. Compliance)	We accept and thus tolerate a certain level of operational risk, as this is part and parcel of executing business activities. These risks are minimized within the boundaries determined by the complexity and size of the organization	* Number of process execution failures * IT security * Customer Due Diligence
Business Risk	We have not developed explicit risk appetite statements regarding business risk because it is primarily captured in an aggregated, integrated, and comprehensive way in the Strategic Plan. The Finance and Control Department deals with the challenge and 'management' of this risk. The main reason is that the underlying risks are managed and mitigated through a structured program of scenario and sensitivity analyses to determine business risk. Rabobank's Strategic Risks are considered in the selection of scenarios and sensitivities.	* Common Equity Tier 1 Ratio * Total Return on Invested Capital (ROIC)

Risk Appetite and Risk Profile Performance

In pursuit of the right balance between (accepted) risk and reward, we generally operate within risk appetite, albeit with a higher overall risk profile for Credit Risk, Business Risk and Operational Risk. Specifically Credit Risk and Business Risk have come under pressure as a result of the impact of the current Covid-19 crisis. In addition to operating outside our appetite on some of our key risk indicators for Credit Risk, we currently observe higher provision levels than in recent years and new risks are emerging because of a declining economic growth which is further exacerbated by the (delayed) impact of the Covid-19 crisis. Our position remains strong and adequately capitalized and with solid liquidity throughout the crisis with significant headroom to withstand further Covid-19 impact. We continue to review our strategic options to improve earning capacity to restore any depleted buffers. For some Operational Risk (including Compliance and Legal) indicators, we do not operate within our Risk Appetite and we need to increase the pace of making structural improvements. We are well aware of these risks and the underlying drivers for the higher risk profile. We actively manage these risks down to previously agreed acceptance levels or consciously accept the higher risk profile for a given period of time. The period of remediation in some cases is longer than others because of (longer) running change programs. The following sections provide further details on, the RAS performance per Risk Type.

Rabobank Risk Appetite Statement in 2020



Credit Risk Management

Macro-economic Environment

The outbreak and the second wave of the Covid-19 pandemic and the subsequent containment measures taken by authorities worldwide have led to an unprecedented macroeconomic development in 2020. The world economy came in a severe recession with a real GDP decrease in 2020 by 3.8% globally, in the Eurozone by 7.4%, and in the Netherlands by 4.2%.

For the Dutch economy, the recovery in 2021 and 2022 is likely to be modest, as the strict containment measures of the second wave can only be lifted gradually in 2021 parallel with the introduction of the vaccines. Unemployment is expected to rise quite sharply, especially among workers with flexible contracts. This will weigh on domestic demand. In addition, the relatively open Dutch economy will suffer from the global economic development. It is also anticipated that house prices rises will flatten in 2021 mainly due to declining employment and fear of job loss. However, we do not expect a drop in house prices due to persistent housing shortages and continuing low interest rates.

These expectations are based on our December baseline scenario, which we also used to calculate the model-based IFRS 9 allowances as per year-end 2020. In our IFRS 9 methodology, we generated a positive and negative scenario based on historical statistical variance. In our allowance calculations, the baseline scenario has a weight of 70% and the positive and negative scenarios 15% each. Based on the outcomes of internal stress tests we fine-tune our forecasts of impairment charges and NPL development each quarter.

For the Netherlands, the baseline scenario looks as follows:

Baseline Scenario for the Netherlands

Year-on-year volume change (%)	*2019*	*2020*	*2021*	*2022*
Gross domestic product	1,6	-4,2	2,4	2,4
Private consumption	1,5	-6,9	3,1	4,3
Business Investments	6,7	-8,2	2,1	5,9
Housing investments	1,6	-1,5	-1,5	0,0
Government expenditure	1,5	-0,1	2,9	2,2
Export volume of goods and services	2,6	-4,8	5,0	4,9
Import volume of goods and services	3,1	-5,4	5,1	6,7
Inflation (%)	2,7	1,2	1,2	1,5
Unemployment (%)	3,4	3,9	5,2	5,4

Note: End January GDP forecasts for 2020, 2021 and 2022 were revised to respectively -4.1%, +1.4% and +3.4% based on the lockdown per mid-December and the extension thereof (expected to end-February followed by only relatively small relaxations in March) necessary to contain the second wave and stay ahead of the UK corona virus variant. To compensate for this expanded lockdown measures and the consequences for the ECL, a top-level adjustment was recognised.

Relief Measures Taken by Authorities and Banks

After the outbreak of the pandemic, central banks took far-reaching measures to ensure that banks remained in a position to absorb losses and continued lending to the economy. Banks were encouraged to draw on their capital and liquidity buffers, to grant payment moratoria to groups of customers (without the obligation to classify these customers immediately as forborne or putting them in IFRS 9 Stage 2) and/or to grant new loans, government-guaranteed or not, to individual business customers. Our payment moratoria to groups of business customers and private individuals at its height related to an underlying exposure of EUR 21 billion; they have expired in the second half of 2020 hardly leading to payment difficulties so far.

At the same time, banks followed an ECB recommendation to protect their capital by withholding dividend payments in 2020. Meanwhile, the ECB renewed this recommendation for the first nine months of 2021. In addition, credit risk for banks is being eased thanks to very significant government support packages to companies and self-employed people, which cushion the impact of the demand-side shock. Finally, monetary policy has effectively countered an increase in funding costs and market losses from bond holdings.

Credit Portfolio

Credit risk is one of the most prominent risks in any economic downturn. However, the expected quality deterioration of our credit portfolio, the fallout of the pandemic, has largely been postponed to 2021 due to the unprecedented government and banking support packages. This is especially true for the Dutch corporate portfolio, where higher impairment charges were concentrated in the performing part of the portfolio (stage 1 & 2) in line with the IFRS 9 methodology and where the NPLs continued their decreasing trend due to effective special asset management. The large domestic residential mortgage portfolio (45% of total portfolio) was unaffected in 2020 and performed very well. Our total NPL portfolio decreased from EUR 15.7 billion at year-end 2019 to EUR 13.9 billion at year-end 2020. This net decrease occurred within the Local Banks business portfolio, despite a significant inflow. In Wholesale & Rural and DLL there were net increases in NPL.

The ultimate overall scale of the expected deterioration in asset quality and accompanying increase in NPLs in 2021 and later years will largely depend on factors that are still uncertain, such as the speed of the recovery, the pace of withdrawal of support measures and the degree of effectiveness of the Covid-19 vaccines. Meanwhile, we continue to implement specifically developed sector/country strategies to further reduce the inflow of non-performing loans (NPLs) and we continuously monitor our customers' position in relation to (upcoming) events (e.g., droughts, Brexit) or sector issues (e.g., dairy and nitrogen) and reconsider our strategy accordingly.

Impact Containment Measures on Specific Sectors

The outbreak of Covid-19 led to liquidity issues for many of our customers and other counterparties. The severity of the sector impact depends on the length of lockdowns, the stringency of measures (e.g. around mobility) and restrictions dictating the path of recovery, potential structural changes to the business, and the benefits resulting from government measures to support businesses. All sectors worldwide (over 30) have been analyzed in depth on the impact of COVID-19 to determine the relative strength and outlook of sub sectors within the broad sector grouping. The outcome of the exercise has been to identify "vulnerable" sectors. Vulnerable sector exposures are considered to have a significant increase in credit risk and are placed in stage 2. Within the vulnerable sectors, we distinguish "weak" sub-sectors as any sub-sector which was inherently weak and would have either a temporary or structurally negative outlook at the end of the crisis. The most vulnerable sector is food services. Other vulnerable sectors are sugar Brazil, automotive, fashion, leisure, hotels and some subsectors in grains & oilseeds, rental & leasing and wholesale. 4.3% of F&A sectors and 9.8 % of non-F&A sectors are classified as vulnerable. This is less than 4% of the private sector loan portfolio of EUR 409 billion.

For several sectors our underwriting criteria were amended in order to avoid financing potentially non-viable customers.

We developed a framework for the business loan portfolio to actively steer the portfolio on a short-cycle basis in the Covid-19 crisis in addition to regular portfolio management. The framework allows us to:

- Identify which (sub)sectors should be classified as "most vulnerable" meaning that the short term Covid-19 impact is substantial and the fundamental outlook is poor;

- Quantify the expected impact on credit risk parameters (Probability of Default, Loss Given Default, Loan Quality Classification) including a sensitivity analysis on the provisioning level;

- Define additional mitigating actions to manage the credit risk and the underwriting criteria of the portfolio.

IFRS 9: Effects of the Covid-19 Pandemic

In 2020 there was a contrast in the development of the impairment charges. In the first half of the year, the severe deterioration in the macroeconomic outlook following the outbreak of the Covid-19 pandemic was translated in the development of new macro-economic scenarios. In these new scenarios for IFRS 9, both customers point-in-time Probability of Default (PD) and Loss Given Default (LGD) increased, leading to higher Expected Credit Losses (ECL) and thus substantially higher impairment allowances in stages 1 and 2: the *performing* part of the portfolio. Also, some customers' exposure moved from stage 1 to stage 2 due to hits of the Delta PD trigger (increase of PD) or downgrades of the Loan Quality Classification. Next to the scenario impact, we also made some so-called Top Level Adjustments on the model-based allowances. For instance, we applied extra PD increases in the calculations for customers who had not yet received a revised rating after the outbreak of Covid-19 and for customers in specifically hard-hit sectors.

In the second half of the year, the macro-economic outlook became more positive leading to a release in the calculated model-based allowances. As the translation of the economic circumstances in more defaults did hardly occur in the largest (Dutch) part of the portfolio due to the before-mentioned support measures, it was decided to introduce Top Level Adjustments to compensate for this "delay effect"

The contrast is illustrated by the share of the impairment charges in stages 1 & 2 in H1-2020 of 62% and in H2-2020 of 1% as the table below shows. Almost 100% of the impairment charges in H2-2020 were in stage 3. In 2020 the largest amount (EUR 712 million) in stage 3 was in Wholesale & Rural caused by several defaults around the world in different business lines / regions, a.o. in Trade & Commodity Finance (including a large fraud case), Acquisition Finance and in South America (Brazil, Argentina and Chile).

Developments in 2020 led to an increase of the share of the stage 1 & 2 allowances in the total impairment allowance from 19% at year-end 2019 to 33% on year-end 2020.

Impairment Charges

In millions of euros)	2020	in %	*2020-H2*	*in %*	*2020-H1*	*in %*	2019	in %
Stage 1	419	22%	*-5*	*-1%*	*424*	*29%*	111	11%
Stage 2	474	25%	*9*	*2%*	*465*	*32%*	128	13%
Stage 3	1.020	53%	*467*	*99%*	*554*	*38%*	736	75%
Rabobank	**1.913**	**100%**	***470***	***100%***	***1.442***	***100%***	**975**	**100%**

The following table illustrates that the defaulted part of the portfolio (stage 3) showed a slight decrease.

Stage composition portfolio

	2020	2020-H1	2019
Stage 1	89,5%	87,6%	92,4%
Stage 2	7,5%	9,3%	4,4%
Stage 3	3,0%	3,1%	3,2%
Rabobank	**100%**	**100%**	**100%**

NPL Strategy

In order to manage our portfolio, we defined a NPL strategy. This strategy aims to provide new perspectives to our customers while mitigating the impact of the prudential backstop regulation introduced by both the European Commission and the European Central Bank (ECB) where possible. In addition to portfolio restructurings in recent years and risk-reducing measures, we devised many initiatives to actively manage the NPL portfolio.

Despite Covid-19 NPL inflow in the Dutch commercial business segment in 2020 has been limited, mainly as a result of the effective relief measures we provided to customers and state relief measures. Nonetheless, further effects of Covid-19 are expected to be seen in 2021 once current measures expire.

Climate Risk

Climate change can affect the credit portfolio mainly via two pathways: 1) transitional risks (changing regulation, reputation, etc.) and 2) physical risks (events like storms and wildfires, and chronical events like flooding, drought, etc.). Both physical and transition risk can have a high impact on our credit portfolio quality, in particular due to the combination of large exposures in our portfolios in F&A and mortgages. These two sectors are two of the four categories classed by the Task Force on Climate-related Financial Disclosures (TCFD) as most exposed to climate change risks (Energy, Transportation, Materials & building (including Real Estate), Agriculture, Food & forestry products). The fact that our current overall exposure to these four TCFD industry sectors is roughly 60% of the Group exposure at default (EAD) only serves to underline the importance and urgency of this risk.

Our report titled 'Rabobank and Climate Change' of September 2020 tells the story of our approach and the progress we have made so far on climate change risks and opportunities, while listing our goals for the future. Significant climate and environmental related regulations for banks have been issued in 2020 and there is more to come. The two most important Guidelines launched in 2020 are the 'ECB Guide on climate-related and environmental risks' and the 'EBA guidelines on loan origination and monitoring'. The denominator of the guidelines is the focus on environmental, social and governance (ESG). It urges us to quantify these financial risks (as they relate to our customers and ultimately our balance sheet) and how business strategy and processes need to reflect ESG and climate risks. The ECB will expectedly require banks to adopt a full end-to-end approach of climate related and environmental risks embedded across every aspect of the bank. The first step to embed the regulations into our Risk Management Framework, and beyond where necessary, has been made.

It is important to understand and measure potential exposure to climate change risk. An example of a potential exposure assessment is the recent scenario analysis 'Dutch houses at risk due to drought', analyzing house foundation problems. Recently, so-called climate change heat maps were drafted. These are qualitative hot spot analyzes of transition and physical risks to identify relatively higher pockets of climate change risks in our portfolio. This should provide guidance for further scenario analysis.

Next to assessing the impact of climate change risk to our loan portfolio, we also focus on what can be done to combat climate change. We are involved in various discussions on how the world can, in addition to trying to mitigate climate effects by reducing CO_2 emissions, be better prepared for the inevitable effects of climate change, the so-called climate adaptation. Given that agriculture is such a crucial domain of climate adaptation and that financing of that change is important, our interest is clear.

See also the section Meaningful Cooperative for TCFD Disclosures.

Brexit
On January 31, 2020 the U.K. left the E.U. and entered the transition period that expired at year-end 2020. During the transition period, the U.K. and the E.U. negotiated their future relationship. Only at the very last moment under large time pressure an agreement was reached and a Hard Brexit could be avoided. We anticipate a negative economic impact for the U.K. and for the Netherlands too, as one of its main trading partners, and it is likely that our customers with U.K. interests will face many uncertainties in 2021. Brexit is incorporated in the used macro-economic scenarios leading to higher expected credit losses.

Trade War
Trade wars in general and in specific the relationship between the economic powers U.S. and China could have an effect on the well-being of our customers. The relationship between the U.S. and China has worsened in 2020. This development was caused by the outbreak of the Covid-19 pandemic, the world recession, and China's backlog on implementing the Phase I deal of January 2020. As of this moment, it is still not clear how the new U.S. administration will manage the relationship with China in the coming years, however a continued tough approach is to be expected. We continue to monitor the developments and its possible effect on ourselves and our customers.

Interest Only Mortgages
Within the well-performing residential mortgage portfolio, the interest-only mortgages carry the highest risk, especially when the LTV is high (> 80%) and the customer is approaching retirement (leading to an income decrease). We approach these customers individually to make them aware of this risk and to seek possibilities to prevent possible problems in the coming period. To a certain extent, the current low interest rate on savings accounts helps to convince these customers to amortize part of their mortgage. Given the risks related to interest-only mortgages, we are continually analyzing this part (~55%) and specifically the very high risk share (~8%) of the portfolio, and applying models to identify increased risk rapidly.

Nitrogen (PAS)
Although Covid-19 and the economic fall-out of the pandemic currently have the highest priority on the Dutch government's agenda, the nitrogen emission problem has not been forgotten. More than EUR 2 billion will be invested by the Dutch government in the coming years to structurally reduce nitrogen emission in the most important sectors (agriculture, industry, mobility and construction). By doing this, nature will be recovered and strengthened and new economic developments will be made possible. Specifically for agriculture there will be grants for farmers that would like to switch to more sustainable business models and for those who would like to stop farming. The ultimate goal of the government is that in 2030 at least 50% of so-called Natura 2000 areas experience acceptable nitrogen depositions. We are closely following developments and their possible impact on our portfolio. Per 31 December 2020 no top-level adjustment was needed.

PFAS
Since July 1, 2020 restrictions on working with PFAS contaminated soil and dredging spoil have been loosened for the construction and dredging sectors. The new measures also took environmental and health considerations into account. The construction and dredging sectors were therefore able to resume a large part of their activities. This reduced pressure on our customers. Meanwhile, the European Commission is discussing a Dutch proposal to eliminate the non-essential uses of PFAS in the European Union.

Operational Risk

Exposure to operational risks is an inevitable part of Rabobank's business activities. Operational Risk is the risk of financial, regulatory and reputation impact due to inadequate or failing processes, people, systems and/or external events. We minimize this risk within the boundaries set by our risk appetite and the context of our complexity and size. We have a Risk and Control Framework (RCF) in place to actively manage and control operational risks, further supported by policies, procedures, limits and control structures. Considering the scale of our bank and complexity of our business activities, we have multiple Risk Appetite Statement (RAS) metrics to set the boundaries of accepted risk levels.

Our RCF is mandatory for all business units (including subsidiaries) and central support functions. The RCF ensures that operational risks are managed and monitored within the accepted risk levels. The RCF sets mandatory requirements for risk and control activities, enabling us to manage its operational risks efficient and effectively using a forward-looking and integrated approach. Quarterly In Control meetings by the risk owners are in place to manage and steer operational risks. Through this structure, we manage our current existing operational risks as well as identify and prepare for new emerging risks.

During 2020, we were confronted with the Covid-19 crisis and consequent lockdowns in the Netherlands and several international locations. We responded quickly to ensure continuity of critical processes, mainly relating to strengthening of IT infrastructure, IT systems and IT capacity.

Risk Profile Performance

While our operational risk profile continues to remain above accepted levels, progress continues to be made with respect to the mitigating actions and remediation programs. The main themes driving our operational risk profile include IT Risk and cybercrime, outsourcing risk, transformation risk, model risk, financial reporting risk and Compliance themes such as anti-money laundering, counter terrorism financing, know your customer, data privacy and fraud. While risks in these areas will continue to remain significant, several remedial programs are ongoing to further mitigate these risks. The ongoing Covid-19 crisis has not caused a material increase in the operational risk profile or realized material losses so far.

Compliance

We strive to be and remain compliant with applicable laws and other regulatory requirements. We also want to operate in the spirit of the law and act in the best interests of our customers. In order to support this ambition we have implemented a robust compliance risk management framework. This includes a clear definition of roles and responsibilities in which the compliance function operates as part of the second line of responsibility. By focusing on the right compliance themes, working closely together as lines of responsibility and using advanced tooling on a global scale, we are able to achieve a higher degree of compliant behavior.

In this report, we will focus on recent developments and highlight a number of key issues.

AML, CTF & Sanctions

Rabobank's role as a gatekeeper to the financial system is a top priority for the bank. Furthering a foundation for compliance with applicable laws and regulations and good customer service, Rabobank has substantially improved its KYC (know your customer) activities and increased its investments in KYC compliance in recent years. The bank operates a global program to enhance the quality of our customer files and data to identify (potential) criminal activity.

In September 2018, Rabobank received an injunction ('last onder dwangsom') from De Nederlandsche Bank (DNB). Commencing from 1 April 2020, DNB carried out an investigation related to whether Rabobank met the requirements of the aforementioned injunction. Despite our efforts, DNB determined that Rabobank did not meet the requirements of the injunction. As a result, a penalty ('dwangsom') of EUR 500,000 has been forfeited.

Nonetheless, Rabobank continued to substantially invest in its KYC activities in 2020, both in terms of dedicated resources and the further automation and innovation of processes, allocating 380 million EUR over the year, excluding front office activities and subsidiaries. The program also includes initiatives to uplift our global anti-money laundering/ counter terrorism financing (AML/CTF) and Sanctions framework.

As such, Rabobank on-boarded and trained an additional workforce of around 800 KYC employees in the Retail Netherlands domain, increasing the total number of individuals dedicated to KYC activities worldwide around 4000. Rabobank also reported an increased number of unusual transactions to the Financial Intelligence Unit (FIU). In addition, Rabobank's KYC activities have been upgraded, deepening the (thematic) investigations such as into high-risk cash-intensive sectors. Furthermore, Rabobank has modified its customer exit policies and processes.

Whilst Rabobank has made improvements, much still remains to be done. Rabobank will therefore continue its dedication to, and investment in its KYC program. This program is being executed under the direct responsibility of the Managing Board. The program assigns clear responsibilities and activities to each line in accordance with the 3LoR model. First line takes risks, owns risks and manages risks and returns. Second line provides risk and compliance governance, challenges and advises on risk taking and monitors the risk profiles. Third line provides independent assurance, advice and insights via (periodic) assessments. The Supervisory board has set up a (temporary) committee to support its management. Going forward, DNB will also continue to supervise Rabobank's KYC program.

In 2021, Rabobank will continue to invest in its KYC activities and advanced technology, which will increasingly enable us to detect transaction patterns which were otherwise not visible or detected as unusual. Rabobank will sustain its focus on quality assurance and will increase the effectiveness and efficiency of processes. Emphasis will be placed on adjusting Rabobank's risk appetite and the Systematic Integrity Risk Analysis (SIRA) as well as on continuously monitoring of customers and timely detection of unusual activities.

Moreover, we will promote even closer cooperation between banks and various parties in the public sector. This joint effort is essential in reinforcing our common fight against financial and economic crime.

Transaction Reporting

With the aim of obtaining better insight into trading activities, supervisors worldwide are continuously stepping up transaction reporting requirements for transactions in financial instruments. Banks have the regulatory obligation to report all OTC trades across a wide range of financial instruments within a given time frame. We are keen to comply with these requirements as these support financial markets to become ever more transparent. A comprehensive program was launched in 2019 to identify and remediate existing impediments in our current transaction reporting framework, address structural solutions relating to the IT landscape and enhance the quality of data management. Important progress was made in all these areas in 2020, with further steps to be taken in 2021.

Data Privacy

Compliance with data privacy regulation is a key element of our digitalization and data strategy. As always, safeguarding the interests of our customers, our employees and other stakeholders remains crucially important. In 2020, a Group Privacy Program was rolled out to ensure our international activities and subsidiaries remain fully aligned with our data strategy. Privacy regulation has come into force around the globe and new Data Protection Authorities have been established in many jurisdictions. Aligning our privacy governance and implementing our data privacy policies in all areas of activity, remains a key priority going forward for global consistency and compliancy.

Fraud

The number of fraud incidents against both our customers and the bank has been on the rise since the fall of 2019. In the Netherlands, this mainly regards phishing and WhatsApp fraud. In Wholesale and Rural, the business lines Trade Commodity Finance and Rural were subject to various fraud incidents, with one incident causing a loss of € 125 million. In 2021, we will further enhance our fraud controls. By working even closer together we can identify more lessons learned, further improve awareness and keep the business informed about the latest developments by means of training sessions.

Treating customers Fairly

The financial situation of many of our customers was directly affected by the Covid-19 crisis and its economic repercussions. We decided to grant various support measures such as allowing temporary payment holidays for customers facing financial difficulties, to help address this unprecedented development. These measures focused on preventing acute financial stress but took the best interests of our customers for the medium and long term into account as well. Also, we continued to implement its ambition Care for Private customers ('Zorg voor particuliere klanten'), for instance by further improving (online) client propositions. In addition, the execution of the recovery framework on the reassessment of Dutch SME interest rate derivatives was almost fully completed in 2020 with SME customers being compensated where necessary. We expect to finalize the remaining elements in 2021.

Compliance risk profile

The overall level of compliance risk is high. The main drivers for the level of compliance risk are, as already highlighted, the risks related to AML/CTF and Sanctions requirements, the focus and attention needed for Treating customers Fairly in the Retail domain in the Netherlands, risks related to Transaction Reporting and Data Privacy, and the observed increase in external fraud incidents. The fact that the level of compliance risk is still too high makes us potentially vulnerable. Therefore, improvement programs that address the main issues are important priorities.

Market Risk

The market risk appetite is based on our market risk appetite for Markets and Treasury. These are our only departments with trading or banking books exposed to market risks.

Market risk entails that the bank's earnings and/or economic value may be negatively affected by price changes in the market. Exposure to a certain degree of market risk is inherent in banking and creates the opportunity to realize profit and value. In managing and monitoring market risk, we make a distinction between the trading environment and the banking environment.

Market Risk in the trading environment
We aim for a modest exposure to market movements in our trading environment, with client risk redistribution, dynamic management by hedging and low secondary market activity as part of our strategy. We manage and monitor market risk in the trading environment on a daily basis within the market risk framework. Within the trading environment, the most significant types of market risk are: interest rate risk (including basis risk), credit spread risk, and currency risk.

We consider event risk the most important indicator in the Market Risk Framework. Event risk generates loss estimates based on extreme but plausible moves in risk factors by using sensitivity, hypothetical and historical stress scenarios along with specific stress testing for the underwriting business. The internal VaR model is also an important part of our market risk framework. We have opted to apply a VaR model based on a historical simulation that uses one year of historical data. In addition, we use an extensive set of complementary parameters and controls to monitor market risk in the trading book. These include, but are not limited to, interest rate delta, tenor basis swaps risk, commodity cash delta, notional limits and FX exposure limits.

Risk Profile Performance
Exposures in 2020 remained within the defined risk appetite. During the peak of the crisis in March 2020, profits and losses were for a large part off-setting across the different desks, and losses were well within the theoretical losses projected by the internal Event Risk scenarios. VaR and Interest Rate Delta fluctuated in reaction to volatility in the markets and position changes, but stayed all well within established limits.

Interest Rate Risk
Our risk appetite for interest rate risk follows from our business strategy, in which being a rock-solid bank is one of the key themes. To advance our ambition of being a rock-solid bank, we have defined the following goals for the IRRBB strategy:

Income generation - generate income in a controlled manner by accepting interest rate risk to collect long-term risk premiums on the yield curve. The aim is to generate predictable income in the medium-term. Protect the bank in times of market stress - guard the bank against unexpected interest rate movements (tail risks) in times of market stress.

In accordance with the transformation role as a retail bank, we accept an appropriate level of interest rate risk as an important driver for the bank's profit. However, losses due to changes in interest rates must never threaten the financial stability of the bank.

We are mainly exposed to interest rate risk in the banking environment as a result of (1) mismatches between the repricing period and discounting curves of assets and liabilities (2) embedded optionality in certain products and customer behavior. In the banking environment, we are also subject to currency risk, consisting mainly of translation risk on capital invested in foreign activities.

Risk Profile Performance
We currently have a broadly neutral position, and interest rate risk does not add substantially to our overall risk position. In 2020, exposures were within the defined risk appetite limits.

Our main risks from an interest rate perspective are the persistent low interest rate levels combined with a flattening of the curve. In such an environment, it is difficult to maintain NII results at a certain level. One of the main drivers of the pressure on NII results is the margin compression on retail savings. To protect results against this margin compression, we have introduced negative savings rates for business and private accounts over EUR 250.000 as of January 1, 2021.

In 2019, the ECB lowered its deposit rate from minus 0.4% to minus 0.5% and it remained at that level throughout 2020. In 2020 the ECB responded to the Covid-19 crisis by launching the Pandemic Emergency Purchase Program (PEPP), on top of the measures the ECB already announced in 2019. One of these measures was an extension of the TLTRO program, for which we participated for EUR 40 billion in 2020.

We have taken steps to improve the transparency of our positioning and the centralization of risks, leading to better control of interest rate risk and other factors.

Liquidity Risk
We are inherently exposed to funding and liquidity risk due to its maturity transformation function. Adequate management of funding and liquidity risk is therefore of major importance. Our goal of being a rock-solid bank translates to the following primary objective for funding and liquidity management: we as a bank, at all times, need to be able to fund assets and meet contractual financial obligations without incurring unacceptable losses. Consequently, we must ensure that there is sufficient confidence and trust in the bank. The objective is to have continuous market access in both ordinary and stressed market conditions.

It is our policy to finance client assets using stable funding, by which we mean funds that have been entrusted by customers as well as long-term wholesale funding. We manage our liquidity and funding positions to meet both external and internal requirements. Within these boundaries, we strive to manage and steer our positions as efficiently as possible and to generate a solid return.

In order to optimize funding availability and funding costs for our customer requirements, we have high quality and robust liquidity buffers. We also have a diversified global funding base in terms of retail versus wholesale funds and in terms of investors, instruments, maturities, countries, and currencies.

Risk Profile Performance

In 2020, we have weathered the challenging Covid-19 funding and liquidity markets. Funds entrusted have increased significantly. We have adequate liquidity positions (stable funded balance sheet, sufficient and high-quality liquidity buffers, diversified funding profile, and limited structural currency mismatch). The current outlook on funding and liquidity is positive.

The USD balance sheet is of strategic importance for us. Specific monitoring and reporting of the USD funding and liquidity position is in place, including a USD-specific LCR. With a set of appropriate actions during the initial phase of the Covid-19 crisis, we managed to maintain a solid liquidity position and maintained good access to USD funding. Diversification and a sustainable USD funding profile will remain a key point of attention for 2021.

Business Risk

We are susceptible to the risk of losses due to changes in the competitive environment or events which damage the franchise or operating economics of the business. Specifically, this is the risk of loss due to decreasing volumes, decreasing (commercial) margins and/or increasing (operating) costs. This material risk type could arise from our failure to execute our strategy, our failure to position the bank strategically, or our ineffective response to material negative plan deviations caused by external factors.

We have not developed explicit risk appetite statements regarding business risk as this is primarily captured in an aggregated, integrated and comprehensive way in our Strategic Plan. The Finance and Control department has the primary responsibility of the challenge and 'management' of this risk. The main reason is that the underlying risks are managed and mitigated through a structured program of scenario and sensitivity analyses to analyze business risk. Our selection of scenarios and sensitivities takes our Strategic Risks into consideration. Furthermore, the medium-term planning (MTP) and budget process is a key element of Business Risk management.

Strategic Developments/Emerging Risks

Our risk management activities are an integral part of strategy design and execution. New strategic initiatives may open exciting opportunities, but the expected rewards must be balanced against the related risks. The digitalization of the banking environment brings risks with it that we have not encountered before. We keep track of external developments and closely monitors how (future) risks might impact the realization of our strategic objectives. We perform regular, structural top-down and bottom-up risk assessments to identify various types of risks, and conduct specific stress tests to calculate the impact of adverse scenarios. An integrated overview of these risks, changes to them, and measures taken to address them are discussed periodically in the Managing Board and Supervisory Board.

As part of Performance & Health steering for 2020, our strategic risks are categorized in four focus areas: Economic developments, Disruptive innovation, Climate Change and Regulations:

	Economic developments	Disruptive innovation	Climate change	Regulations
Opportunities	• Banking consolidation in Europe • Mergers & acquisitions • Food & Agri incl. cross boundaries • Wholesale volume	• Cost reduction (branches) • Improving services & client satisfaction	• Sustainable finance • Role in society • Cooperative mentality	• Banking 'license to operate'
Threats	• Low interest environment • Economic crisis • Geopolitical tensions	• New entrants • Declining volumes/ margins • Client expectations	• Physical risks • Transition risks • Measures (PFAS, Nitrogen, etc)	• Financial gatekeeper role • Reputational damage
Internal challenges	• Cost income ratio • Decision on focus areas • Growth potential NL/F&A	• Legacy systems • Cybercrime • Employee reskilling/ Journey	• Climate risk modelling • Speed of implementation	• Magnitude of projects • Professionalism • KYC/CDD/GDPR/AML

Segment Reporting

Domestic Retail Banking

Highlights

In the Netherlands, Domestic Retail Banking (DRB) is a leading player in providing loans in the residential mortgage market and offering products and services in savings, payments, investments, and insurance. DRB is also market leader in the SME and Food & Agri markets. Income was pressured by the low interest rate environment in 2020, resulting in 12% lower net interest income. Operating expenses decreased by 3%. Staff costs were 4% lower than last year as the downward effect of the digitization and centralization of services was partly offset by additional hired capacity for CDD and transaction monitoring. Covid-19 had an upward effect on impairment charges on financial assets which rose by EUR 467 million. Deposits from customers increased significantly in 2020 by EUR 26.3 billion, while the private sector loan portfolio remained unchanged. Our mortgage loan portfolio remained stable at EUR 188.8 billion as repayments were offset by an increase in new mortgage origination. Our SME loan portfolio stabilized at EUR 80.6 billion.

Financial Results

Results			
Amounts in millions of euros	*12-31-2020*	*12-31-2019*	*Change*
Net interest income	4,615	5,258	-12%
Net fee and commission income	1,314	1,340	-2%
Other results	30	67	-55%
Total income	**5,959**	**6,665**	**-11%**
Staff costs	2,633	2,738	-4%
Other administrative expenses	1,014	1,027	-1%
Depreciation and amortization	82	95	-14%
Total operating expenses	**3,729**	**3,860**	**-3%**
Gross result	**2,230**	**2,805**	**-20%**
Impairment charges on financial assets	619	152	307%
Regulatory levies	312	270	16%
Operating profit before tax	**1,299**	**2,383**	**-45%**
Income tax	328	607	-46%
Net profit	**971**	**1,776**	**-45%**
Impairment charges on financial assets (in basis points)	23	6	
Ratios			
Cost/income ratio including regulatory levies	67.8%	62.0%	
Underlying cost/income ratio including regulatory levies	67.3%	60.5%	
Balance Sheet			
Amounts in billions of euros			
External assets	275.0	275.9	0%
Private sector loan portfolio	271.3	271.2	0%
Deposits from customers	279.4	253.1	10%
Number of internal employees (in FTEs)	20,317	19,913	2%
Number of external employees (in FTEs)	5,963	6,976	-15%
Total number of employees (in FTEs)	26,280	26,889	-2%

Notes to the Financial Results

Development of Underlying Operating Profit Before Tax			
Amounts in millions of euros		*12-31-2020*	*12-31-2019*
Income		**5,959**	**6,665**
Operating expenses		**3,729**	**3,860**
Adjustments to expenses	Restructuring expenses	46	57
	Derivatives framework	(18)	40
Underlying expenses		***3,701***	***3,763***
Impairment charges on financial assets		619	152
Regulatory levies		312	270
Operating profit before tax		**1,299**	**2,383**
Total adjustments		***28***	***97***
Underlying operating profit before tax		**1,327**	**2,480**

Underlying Performance Decreased by 46%

DRB's underlying performance decreased in 2020. The underlying operating profit before tax amounted to EUR 1,327 million, compared to EUR 2,480 million in 2019. In calculating this underlying profit before tax, we made corrections for restructuring costs and for the amounts related to the interest rate derivatives framework. Income decreased by EUR 706 million, while underlying operating expenses decreased by EUR 62 million. The Covid-19 pandemic resulted in higher impairment charges on financial assets, which amounted to EUR 619 million and tempered net profit.

Income Down by 11%

Total income decreased to EUR 5,959 (2019: 6,665) million. Net interest income was mainly pressured by continued shrinking margins on savings and current accounts as a result of the low interest rate environment. Total net interest income of EUR 4,615 (2019: 5,258) million was 12% down. Net fee and commission income was somewhat lower than last year and amounted to

EUR 1,314 (2019: 1,340) million, mainly driven by lower income on payment services. Other results decreased to EUR 30 (2019: 67) million primarily because other results in 2019 were positively impacted by the sale of a share of Rabobank's mortgage portfolio.

Operating Expenses Down by 3%

Total operating expenses decreased to EUR 3,729 (2019: 3,860) million. Staff costs were reduced to EUR 2,633 (2019: 2,738) million because the average size of the workforce was smaller than in 2019 due to the centralization of services and digitization. Nonetheless, this decrease was partly offset by additional staffing for CDD and transaction monitoring. Other administrative expenses were slightly down to EUR 1,014 (2019: 1,027) million and were positively impacted by a VAT relief in 2020. Furthermore, expenses related to the interest rate derivatives framework were lower than in the same period last year as were the restructuring costs which totaled EUR 46 (2019: 57) million. The revaluation of property for own use had an upward effect on expenses of EUR 42 million in contrast to 2019 when it had a downward effect of EUR 60 million on other administrative expenses. In addition, other administrative expenses were negatively impacted by an additional impairment on our data centers. Depreciation and amortization decreased to EUR 82 (2019: 95) million, partly because of the reduced number of properties.

Higher Impairment Charges on Financial Assets

Impairment charges on financial assets increased in 2020, as the Covid-19 pandemic resulted in less favorable economic conditions in the Netherlands. Impairment charges on financial assets amounted to EUR 619 (2019: 152) million, which translates to 23 (2019: 6) basis points of the average private sector loan portfolio – above the long-term average of 18 basis points.

Loan Portfolio Stable

In 2020, clients' extra mortgage repayments – all those on top of the mandatory repayments – at local Rabobanks and Obvion totaled approximately EUR 22.6 (2019: 19.5) billion. Of this amount, EUR 4.1 (2019: 3.7) billion related to partial repayments and EUR 18.5 (2019: 15.8) billion to mortgages paid off in full, which was partly the result of customers moving to a new house. The total volume of our residential mortgage loan portfolio on December 31, 2020 was EUR 188.8 (2019: 187.7) billion. The figure includes Obvion's loan portfolio, valued at EUR 31.0 (2019: 29.7) billion. The total DRB portfolio (including business lending) remained stable at EUR 271.3 (2019: 271.2) billion and the total SME portfolio currently amounts to EUR 80.6 (2019: 81.4) billion.

Loan Portfolio by Sector

Amounts in billions of euros	*12-31-2020*	*12-31-2019*
Volume of loans to private individuals	190.6	189.7
Volume of loans to Trade, Industry & Services	51.0	51.8
Volume of loans to Food & Agri	29.6	29.7
Private sector loan portfolio	**271.3**	**271.2**

Mortgage Loan Portfolio

Rabobank's share of the Dutch mortgage market increased to 22.0% (2019: 20.9%) of new mortgage production in 2020. The local Rabobanks' market share was somewhat higher at 15.7% (2019: 15.5%), Obvion's market share decreased to 5.0% (2019: 5.4%) and the market share of Vista amounted to 1.3%. Despite the Covid-19 outbreak, the quality of Rabobank's residential mortgage loan portfolio remained strong. The higher net additions to impairments in the first half of 2020 were chiefly the result of a deteriorated economic outlook. However, the second half of 2020 showed a less negative outcome of the macroeconomic scenario than expected, and actual defaults were lower than expected due to payment moratoria and government support measures. As a result net additions decreased significantly at the end of the year. Actual non-performing loans still showed a decreasing trend throughout the year, and account for 0.66% of the mortgage loan portfolio. Financing backed by the National Mortgage Guarantee (Nationale Hypotheek Garantie (NHG)) decreased to 17.5% (2019: 18.7%). The weighted average indexed loan-to-value (LTV) of the mortgage loan portfolio was 57% (2019: 60%) on December 31, 2020.

Residential Mortgage Loans

Amounts in millions of euros	*12-31-2020*	*12-31-2019*
Mortgage loan portfolio	188,761	187,671
Weighted-average LTV	57%	60%
Non-performing loans (amount)	1,253	1,609
Non-performing loans (in % of total mortgage loan portfolio)	0.66%	0.86%
More-than-90-days arrears	0.12%	0.21%
Share NHG portfolio	17.5%	18.7%
Impairment allowances on financial assets	153	198
Coverage ratio non-performing loans	7%	7%
Net additions	(13)	16
Net additions (in basis points)	(1)	1
Write-offs	27	32

Deposits from Customers Increased by EUR 26 Billion

The private savings market in the Netherlands had grown by 6% to EUR 390.0 (2019: 368.2) billion on December 31, 2020 due to less consumer spending following the Covid-19 pandemic. Our market share was 33.9% (2019: 33.0%). Deposits from customers rose 10% to EUR 279.4 (2019: 253.1) billion. Retail savings deposited at DRB increased by EUR 11.1 billion to EUR 134.8 (2019: 123.7) billion. Other deposits from customers went up by EUR 15.2 billion to EUR 144.6 billion mainly due to an increase in current accounts.

Wholesale & Rural

Highlights

The Wholesale & Rural (W&R) segment operates in six regions: the Netherlands & Africa, North America, South America, Australia & New Zealand, Europe, and Asia. Our Banking for Food and Banking for the Netherlands strategies drives the W&R portfolio. Formerly known as Wholesale, Rural & Retail (WRR), this segment is now called W&R to reflect strategic changes in our retail activities over the past few years, especially the sale of RNA (North America), ACC (Ireland), and RII (Indonesia). W&R's performance in 2020 was substantially lower, as illustrated by the development of the net profit, which decreased to EUR 16 million. Impairment charges on financial assets increased significantly by EUR 272 million as a result of the Covid-19 pandemic. Income was lower partly because of lower fees and the absence of positive revaluations. The 2020 result is also lower because the figures of the divested retail activities (mainly RNA) still contributed to the result of this business segment for much of the year.

Financial Results

Results			
Amounts in millions of euros	*12-31-2020*	*12-31-2019*	*Change*
Net interest income	2,197	2,431	-10%
Net fee and commission income	361	458	-21%
Other results	164	766	-79%
Total income	**2,722**	**3,655**	**-26%**
Staff costs	1,243	1,402	-11%
Other administrative expenses	224	481	-53%
Depreciation and amortization	90	83	8%
Total operating expenses	**1,557**	**1,966**	**-21%**
Gross result	**1,165**	**1,689**	**-31%**
Impairment charges on financial assets	883	611	45%
Regulatory levies	149	140	6%
Operating profit before tax	**133**	**938**	**-86%**
Income tax	117	260	-55%
Net profit	**16**	**678**	**-98%**
Impairment charges on financial assets (in basis points)	81	55	
Ratios			
Cost/income ratio including regulatory levies	62.7%	57.6%	
Underlying cost/income ratio including regulatory levies	61.3%	63.0%	
Balance Sheet			
Amounts in billions of euros			
External assets	135.5	137.1	-1%
Private sector loan portfolio	105.9	112.4	-6%
Number of internal employees (in FTEs)	8,256	8,269	0%
Number of external employees (in FTEs)	1,407	1,628	-14%
Total number of employees (in FTEs)	9,663	9,897	-2%

Notes to the Financial Results

Development of Underlying Profit Before Tax			
Amounts in millions of euros		*12-31-2020*	*12-31-2019*
Income		**2,722**	**3,655**
	Fair value items	48	0
Adjustments to income	Sale RNA	0	(372)
Underlying income		***2,770***	***3,283***
Operating expenses		**1,557**	**1,966**
Adjustments to expenses	Restructuring expenses	7	7
	Sale RNA	0	30
Underlying expenses		***1,550***	***1,929***
Impairment charges on financial assets		883	611
Regulatory levies		149	140
Operating profit before tax		**133**	**938**
Total adjustments		**55**	**(335)**
Underlying operating profit before tax		**188**	**603**

Covid-19 Impacts Underlying Performance

The underlying operating profit before tax amounted to EUR 188 million compared to EUR 603 million in 2019. The calculation includes a correction for fair value items, the book gain on the sale of RNA and restructuring costs. Total underlying income decreased by 16% and underlying operating expenses decreased by 20%. Significantly higher impairment charges on financial assets, largely caused by the Covid-19 pandemic, had a downward effect on profit.

Income Down by 26%

Total income decreased to EUR 2,722 (2019: 3,655) million and net interest income decreased to EUR 2,197 (2019: 2,431) million, mainly driven by our divestments of retail operations. This decrease was tempered by higher commercial margins. Corrected for the sale of RNA, net interest income was up by 4%. Both the Wholesale and Rural divisions generated higher net interest income. In Wholesale, the net interest income increase was mainly evident in Asset Based Finance. Net interest income decreased at our deposit franchise RaboDirect. Net fee and commission income declined to EUR 361 (2019: 458) million due to lower fees because of Covid-19 which impacted our Capital Markets, Commodity Finance, and Corporate Finance business. Other results decreased to EUR 164 (2019: 766) million chiefly because of the book gain on the divestment of our retail operations in 2019, the absence of positive revaluations at our Corporate Investment division and lower income at our Markets division.

Operating Expenses Decreased by 21%

Operating expenses amounted to EUR 1,557 (2019: 1,966) million. Staff numbers at W&R showed a 2% decrease. These lower staff numbers can be largely explained by the divestment of our retail activities in Indonesia. The reduction in staff was partly offset by growth initiatives within Rural and additional staff related to structural investments in infrastructure and compliance. Staff costs decreased to EUR 1,243 (2019: 1,402) million, 11% lower than last year. Reduced hotel and travel expenses as a result of the Covid-19 pandemic contributed to this decrease as did lower variable income. Other administrative expenses decreased to EUR 224 (2019: 481) million and were positively impacted by VAT relief. An additional impairment on our data centers had an upward effect on other administrative expenses. Depreciation and amortization went up slightly to EUR 90 (2019: 83) million due to higher depreciation in the Netherlands and Australia.

Impairment Charges on Financial Assets Up EUR 272 Million

The impact of Covid-19 is reflected in significantly higher impairment charges on financial assets, which increased to EUR 883 (2019: 611) million in 2020. After a period characterized by low impairments, they have been rising since the first half of 2018. The outbreak of Covid-19 accelerated this increase. Significant increases occurred in the Stage 1 and Stage 2 impairments, while higher Stage 3 impairments were partly related to our Trade & Commodity Finance division. Total impairment charges on financial assets amounted to 81 (2019: 55) basis points of the average private sector loan portfolio, above the long-term average of 47 basis points.

Loan Portfolio Decreased by 6%

In 2020, the total private sector loan portfolio of W&R decreased to EUR 105.9 (2019: 112.4) billion. This decrease is largely attributable to FX effects. Corrected for FX effects the portfolio decreased by around EUR 2.1 billion. The volume of lending to the Food & Agri sector decreased to EUR 64.1 (2019: 71.2) billion, which accounted for 61% (2019: 63%) of W&R's total loan portfolio. Loans to the Trade, Industry, and Services (TIS) sectors increased slightly to EUR 41.1 (2019: 40.4) billion.

Dutch and International Wholesale

The Wholesale portfolio totaled EUR 73.2 (2019: 76.8) billion. Excluding FX effects the Wholesale portfolio decreased by approximately EUR 0.4 billion. Lending to the largest Dutch companies increased in 2020 to EUR 22.3 (2019: 20.3) billion. The size of the Wholesale loan portfolio granted to clients outside the Netherlands was EUR 51.0 (2019: 56.5) billion on December 31, 2020.

International Rural Banking

Lending to Rural clients amounted to EUR 32.7 (2019: 35.6) billion. Excluding FX effects the Rural portfolio decreased by approximately EUR 0.7 billion. The main markets for Rural banking are Australia, New Zealand, the United States and Brazil, and we are also present in Chile, Peru, and Argentina. The loan portfolio in Australia totaled EUR 10.9 (2019: 11.0) billion, in New Zealand EUR 7.0 (2019: 6.9) billion, in the United States EUR 10.8 (2019: 13.0) billion, in Brazil EUR 3.0 (2019: 3.6) billion, and EUR 0.9 (2019: 1.0) billion in Chile, Peru and Argentina in aggregate.

Deposits at RaboDirect Decreased by 4%

Our online savings bank RaboDirect operates in Belgium, Germany, Australia, and New Zealand. Deposits entrusted by clients to RaboDirect are used for funding our international Rural banking business and other divisions. RaboDirect's savings balances decreased to EUR 25.0 (2019: 26.0) billion on December 31, 2020. The number of online savings bank clients decreased slightly to approximately 685,000 (2019: 690,000).

Leasing

Highlights

As a global asset finance company, our leasing subsidiary DLL partners with equipment manufacturers, dealers, and distributors, as well as end-customers on a direct basis, to provide businesses with easier access to equipment, technology, and software. DLL provides financial solutions to the Agriculture, Food, Healthcare, Clean Technology, Construction, Transportation, Industrial, Office Equipment, and Technology industries in more than 30 countries. The 49% decrease in DLL's net profit can be fully attributed to an increase in impairment charges on financial assets as a result of the negative effects of the Covid-19 pandemic and an impairment on goodwill. Despite these challenging market conditions, including lock downs imposed by various governments to control the spread of Covid-19, the lease portfolio grew by 2% (excluding currency movements) compared to 2019. On December 31, 2020, the Food & Agri share of the portfolio amounted to EUR 14.7 (2019: 14.5) billion, representing 42% (2019: 40%) of the DLL portfolio.

Financial Results

Results			
Amount in millions of euros	*12-31-2020*	*12-31-2019*	*Change*
Net interest income	1,100	1,052	5%
Net fee and commission income	106	124	-15%
Other results	292	255	15%
Total income	**1,498**	**1,431**	**5%**
Staff costs	537	536	0%
Other administrative expenses	200	174	15%
Depreciation and amortization	27	28	-4%
Total operating expenses	**764**	**738**	**4%**
Gross result	**734**	**693**	**6%**
Impairment losses on goodwill	70	0	
Impairment charges on financial assets	410	214	92%
Regulatory levies	29	26	12%
Operating profit before tax	**225**	**453**	**-50%**
Income tax	61	131	-53%
Net profit	**164**	**322**	**-49%**
Impairment charges on financial assets (in basis points)	127	67	
Ratios			
Cost/income ratio including regulatory levies	52.9%	53.4%	
Underlying cost/income ratio including regulatory levies	52.3%	53.5%	
Balance Sheet			
Amounts in billions of euros			
Lease portfolio	34.9	36.2	-4%
Number of internal employees (in FTEs)	5,168	4,877	6%
Number of external employees (in FTEs)	341	426	-20%
Total number of employees (in FTEs)	5,509	5,303	4%

Notes to the Financial Results

Development of Underlying Profit Before Tax			
Amounts in millions of euros		*12-31-2020*	*12-31-2019*
Income		**1,498**	**1,431**
Operating expenses		**764**	**738**
Adjustments to expenses	Restructuring expenses	10	(1)
Underlying expenses		**754**	**739**
Impairment losses on goodwill		70	0
Impairment charges on financial assets		410	214
Regulatory levies		29	26
Operating profit before tax		**225**	**453**
Total adjustments		**10**	**(1)**
Underlying operating profit before tax		**235**	**452**

Income Up by 5%

Total income of the Leasing segment increased by 5% to EUR 1,498 (2019: 1,431) million in 2020. Net interest income increased by 5% to EUR 1,100 (2019: 1,052) million, mostly because margins improved as lease pricing was adjusted upward to reflect increased market risks related to the Covid-19 pandemic. Net fee and commission income decreased to EUR 106 (2019: 124) million, primarily due to a drop in syndication activities caused by the Covid-19 pandemic. Other results, mainly consisting of income from operating leases and sales of end-of-lease assets, increased to EUR 292 (2019: 255) million.

Operating Expenses Up by 4%

Total operating expenses in the Leasing segment were EUR 764 (2019: 738) million. Staff costs remained stable at EUR 537 (2019: 536), despite an increase in the number of employees to address customers' needs arising from the Covid-19 pandemic. Staff numbers in the Leasing segment increased by 206 FTEs to 5,509 FTEs in 2020. Lower costs for travel, housing, and variable pay had a downward effect on staff costs. Other administrative expenses increased to EUR 200 (2019: 174) million driven by additional expenses related to collection and recovery of leased assets. The total for depreciation and amortization was stable at EUR 27 (2019: 28) million.

Impairment Losses on Goodwill

Following a deterioration of the market circumstances and economic outlook, DLL impaired EUR 70 million of goodwill for one of its subsidiaries. After this impairment, no goodwill related to leasing subsidiaries remains on the balance sheet.

Impairment Charges on Financial Assets Increased

The Covid-19 pandemic had an upward effect on the impairment charges on financial assets in the Leasing segment, which increased to EUR 410 (2019: 214) million, corresponding with 127 (2019: 67) basis points of the average loan portfolio and above DLL's long-term average of 49 basis points. The measures taken by governments worldwide to control the Covid-19 pandemic also impacted DLL’s vendors and customers. DLL has been supporting customers by granting payment relief when needed. Nonetheless, impairments still increased. Stage 1 and Stage 2 impairments have driven up total impairments and are linked to the macroeconomic outlook in some of DLL's key markets. Stage 1 and Stage 2 impairments amounted to EUR 190 (2019: 43) million.

Income Tax Down 53%

Income tax in the Leasing segment decreased to EUR 61 million from EUR 131 million as a result of the lower operating profit before tax.

Lease Portfolio Decreased 4%

The lease portfolio decreased to EUR 34.9 (2019: 36.2) billion, fully due to changes in exchange rates. Excluding FX effects the lease portfolio increased by 2% compared to 2019. In 2020, the Food & Agri share of the portfolio increased to EUR 14.7 (2019: 14.5) billion, representing 42% (2019: 40%) of the DLL portfolio.

Property Development

Highlights

The Property Development segment is mainly composed of the activities of Bouwfonds Property Development (BPD), which operates in the Netherlands and Germany. The Covid-19 pandemic did not significantly affect the segment's results. The commercial results at BPD were slightly higher than in 2019 as it sold more houses in both the Netherlands and Germany. Since 2018 the activities of Bouwfonds Investment Management (BIM) have been phased out and therefore represented only a small part of the segment's results.

Financial Results

Results			
Amount in millions of euros	*12-31-2020*	*12-31-2019*	*Change*
Net interest income	(16)	(10)	60%
Net fee and commission income	1	8	-88%
Other results	309	308	0%
Total income	**294**	**306**	**-4%**
Staff costs	91	84	8%
Other administrative expenses	32	40	-20%
Depreciation and amortization	9	7	29%
Total operating expenses	**132**	**131**	**1%**
Gross result	**162**	**175**	**-7%**
Impairment charges on financial assets	1	2	-50%
Regulatory levies	1	2	-50%
Operating profit before tax	**160**	**171**	**-6%**
Income tax	45	40	13%
Net profit	**115**	**131**	**-12%**
of which: BPD	*120*	*116*	*3%*
Ratios			
Cost/income ratio incl. regulatory levies	45.2%	43.5%	
Underlying cost/income ratio incl. regulatory levies	45.2%	43.1%	
Balance Sheet			
Number of houses sold	8,901	6,471	38%
Amounts in billions of euros			
Private sector loan portfolio	0.1	0.3	-54%
Number of internal employees (in FTEs)	655	605	8%
Number of external employees (in FTEs)	93	96	-3%
Total number of employees (in FTEs)	748	701	7%

Notes to the Financial Results

Development of Underlying Operating Profit Before Tax			
Amounts in millions of euros		*12-31-2020*	*12-31-2019*
Income		**294**	**306**
Operating expenses		**132**	**131**
Adjustments to expenses	Restructuring expenses	0	1
Underlying expenses		**132**	**130**
Impairment charges on financial assets		1	2
Regulatory levies		1	2
Operating profit before tax		**160**	**171**
Total adjustments		***0***	***1***
Underlying profit before tax		**160**	**172**

Income Decreased by 4%

The Property Development segment's total income decreased to EUR 294 (2019: 306) million mainly as a result of the phasing out of the activities of Bouwfonds Investment Management. BPD's income in 2020 was higher than in 2019, driven by an increase in the number of houses sold.

Operating Expenses Up by 1%

Total operating expenses increased to EUR 132 (2019: 131) million. Higher staff numbers, which increased by 7% to 748 FTEs on December 31, 2020, resulted in an increase in staff costs of EUR 7 million compared to 2019, totaling EUR 91 (2019: 84) million. Other administrative expenses decreased to EUR 32 (2019: 40) million due to the phasing out of activities. Depreciation and amortization increased slightly to EUR 9 (2019: 7) million.

Higher Number of Property Transactions

The number of residential property transactions by BPD increased by 38% to 8,901 (2019: 6,471). This total includes 781 of BPD's transactions to BPD Woningfonds in 2020. The impact of Covid-19 was limited. In the Netherlands BPD sold 6,375 houses (2019: 4,485). The total number of transactions in Germany was 2,526 (2019: 1,986).

Outlook on 2021

Strategic Priorities for 2021

The Managing Board has set strategic priorities for 2021 and beyond. We are still working on our mission *Growing a better world together* and the cooperative banking model is our way forward. However, the world we want to influence is continuously changing. The banking sector is under pressure due to low interest rates, commoditization, stricter regulatory requirements, competition from big tech and impacts from Covid-19 such as economic decline, and rising impairments. This will continue to affect our clients and the banking landscape deeply. Although we have a strong financial position, the worst is yet to come, particularly because we expect a substantial inflow of non-performing loans of business clients in 2021.

Strengthening our Core and Spreading our Wings

It urges us to reduce our cost levels and to safeguard a robust top line, while being in control of our risks. Therefore, we have introduced a program to offer even better service at lower cost. We expect a reduction of 1.000 jobs per year in the coming 5 years, realized by a mix of regular outflow, and a reduction of external FTEs. Redeployment within our organization will partly mitigate the impact on forced leaves. We will also invest in mobile service locations and concepts alongside accelerating the use of digital channels and accordingly downsizing our branch network in the Netherlands. In our Wholesale and Rural domain, we are simplifying our operating model and enhancing focus on Food & Agri, to grow and meet the global demand for sustainable food.

Our role as gatekeeper of the financial system will continue to have our top priority. The endeavor against financial crime is not ours alone. It is not about competing; it is about cooperating in a common cause. Together with other banks, the FIU and Public Private Partnerships, we will continue our efforts against financial crime. Our own KYC-structure and organization has our utmost attention. In September 2018, Rabobank received an injunction ('last onder dwangsom') from De Nederlandsche Bank (DNB). Commencing from April 1, 2020, DNB carried out an investigation related to whether Rabobank met the requirements of the aforementioned injunction. Despite our efforts, DNB determined that Rabobank did not meet the requirements of the injunction. As a result, a penalty ('dwangsom') of EUR 500,000 has been forfeited.

At the same time, we will spread our wings as a cooperative. By working with partners, we want to help solve challenges in society that cannot be fixed alone and to make a meaningful contribution to major societal transitions (Food, climate and energy, and the transition to a more inclusive society). We have a duty to safeguard our cooperative business model. We will seek closer connections with our members, and we will work together on solutions that benefit our customers, our communities, and the world around us. As one Rabobank, we take responsibility for the performance of the group as a whole. We want to emphasize the centrality of "we" in our adoption of new ways of working to further strengthen the one Rabobank culture.

Banking for Food

Because of population growth and dietary changes, we see opportunities for appropriate growth in Food & Agri, a sector in which we have been a leading player for many years in the Netherlands and around the world. This position provides a strong foundation from which to build more economies of scale and strengthen our market position. Our efforts to enhance the food transition are sustainable, impactful, socially relevant, and economically attractive. We aim to maintain our position as the global leading Food & Agri bank by supporting our clients and navigating Food & Agri transitions regarding food losses and food waste, greenhouse gas emissions, and scarcity of land and water resources with our deep sector knowledge and expertise. Within the Dutch and international Food & Agri space, we are continuously looking for innovative growth avenues in the banking sector and beyond. The clear trend in the lease market from ownership to usage models provides interesting openings for our subsidiary DLL, which is well-positioned in this market.

In fall 2021, the UN Food Systems Summit will take place. The goal of this Summit is to accelerate the implementation of the Sustainable Development Goals (SDGs) and facilitate the necessary food systems transitions for a better planet. In close cooperation with our strategic Food and Agri networks and coalitions, we will use this opportunity to showcase our own endeavors, and call for a global framework that allows us to guide our clients in their ambitions towards healthier and more sustainable and inclusive practices.

Banking for the Netherlands

Through our members and clients, we are connected to the future of the Netherlands. This is embedded in our cooperative DNA: if our clients do well, we do well. With a strong foothold in the Netherlands, we want to help SMEs to maintain, drive and grow their business domestically and internationally. After all, they are the source of jobs, innovation, sustainability, and prosperity. We want to help private customers achieve a healthy financial lifecycle. By servicing Wholesale clients in the Netherlands and supporting our clients in the transitions, we continue to drive the Dutch economy. As a cooperative bank, we can distinguish ourselves by contributing directly to solving the challenges and steering transitions that we all face.

Financial Outlook

Economies worldwide appear to have rebounded stronger than anticipated in the second half of 2020. We estimate global economic activity to have contracted by 3.5% in 2020 (compared to 4.1% in our June baseline). Renewed heavy lockdowns across Europe have led to a more pessimistic outlook for the first half of 2021, specifically for the Euro area. We currently expect economic activity to grow 3.5% this year (compared to 3.9% in December 2020). As many nations around the globe have started vaccination programmes, a normalization of global economic activity is expected from the second half of 2021 onwards, although in many countries a full recovery will not be reached until 2022. A significant risk to that scenario is that Covid-19 has been mutating, putting further pressure on governments to contain the spread and accelerate the roll out vaccines. Other risks in the aftermath of the global crisis include an increasing share of zombie firms, rising public and private debt ratios and geopolitical tensions.

Members of the Managing and Supervisory Board

Members of the Managing Board[1]

- Wiebe Draijer*, *Chair*
- Bas Brouwers*, *Chief Financial Officer (CFO)*
- Els de Groot*, *Chief Risk Officer (CRO)*
- Kirsten Konst*, *Commercial Banking in the Netherlands*
- Bart Leurs, *Chief Digital Tranformation Officer (CDTO)*
- Mariëlle Lichtenberg, *Retail Clients in the Netherlands*
- Berry Marttin*, *Wholesale and Rural, Leasing, Sustainability and F&A Knowledge*
- Ieko Sevinga, *Chief IT & Operations Officer (CIOO)*
- Janine Vos, *Chief Human Resources Officer (CHRO)*

Dirk Duijzer, *Company Secretary*

Wiebe Draijer (W.)
(Male, 1965, Dutch nationality)

Appointed to the Managing Board with effect from October 1, 2014, his current appointment term expires on October 1, 2022. As CEO and Chairman of the Managing Board he bears all the responsibilities this brings. In addition to his role with the Managing Board, Wiebe Draijer is also responsible for Communication & Corporate Affairs, Audit, Corporate Secretariat & Cooperative and the Corporate Strategy Office.

Bas Brouwers (B.C.)
(Male, 1972, Dutch nationality)

Appointed to the Managing Board with effect from January 1, 2016, his current appointment term expires on January 1, 2024. As CFO, Bas Brouwers is responsible for Finance, including Financial Accounting, Treasury, Controlling, Portfolio Management, Tax and Investor Relations.

Els de Groot (E.A.)
(Female, 1965, Dutch nationality)

Appointed to the Managing Board with effect from February 1, 2019, her current appointment term expires on February 1, 2023. As CRO, Els de Groot is responsible for Risk Management, Financial Restructuring & Recovery, Legal and Compliance. Besides this, she is member of Rabobank North American Board & Risk Committee.

Kirsten Konst (C.M.)
(Female, 1974, Dutch nationality)

Kirsten Konst was appointed to the Managing Board with effect from September 1, 2017. Her current appointment term expires on September 1, 2021. Her main areas of focus are Commercial Banking in the Netherlands and the local Rabobanks.

Bart Leurs (B.)
(Male, 1971, Dutch nationality)

Appointed with effect from September 1, 2017, his current appointment term expires on September 1, 2021. As CDTO, Bart Leurs is responsible for the global Digital Transformation, Innovation Strategy and Data Analytics, and manages a portfolio of Corporate Ventures, Partnerships and Participations. Besides this, he is member of the Supervisory Board of DLL International.

1 The Managing Board (Groepsdirectie) consists of statutory members (marked with *) and non-statutory members. The statutory members also make up Rabobank's Executive Board (Raad van Bestuur). References in this report to the Managing Board and its duties and responsibilities also refer to the Executive Boards duties and responsibilities.

Mariëlle Lichtenberg (M.P.J.)
(Female, 1967, Dutch nationality)

Mariëlle Lichtenberg was appointed to the Managing Board with effect from September 1, 2017. Her current appointment term expires on September 1, 2021. Her main areas of focus are Retail and Private Banking, Marketing and Rabo Client Services (call center). Besides this, she is chair of the Supervisory Board of Bouwfonds Property Development and chair of the Supervisory Board of Obvion N.V..

Berry Marttin (B.J.)
(Male, 1965, Dutch and Brazilian nationalities)

Appointed to the Managing Board with effect from July 1, 2009, his current appointment term expires on July 1, 2021. Berry Marttin is responsible for Wholesale and Rural, Leasing (DLL), knowledge, and sustainable development. Besides his activities for Rabobank, he is responsible for the Rabobank Foundation and chair of the Supervisory Board of DLL International.

Ieko Sevinga (I.A.)
(Male, 1966, Dutch nationality)

Appointed to the Managing Board with effect from September 1, 2017, his current appointment term expires on September 1, 2021. As CIOO, Ieko Sevinga is responsible for the IT & Operations portfolio of Rabobank.

Janine Vos, (B.J.)
(Female, 1972, Dutch nationality)

Janine Vos was appointed to the Managing Board with effect from September 1, 2017. Her current appointment term expires on September 1, 2021. As CHRO, Janine Vos is responsible for the Human Resource policies and practices.

Jan van Nieuwenhuizen (J.L.)
(Male, 1961, Dutch nationality)

Appointed to the Managing Board with effect from March 24, 2014. He stepped back as a Board Member on September 1, 2020.

Relevant additional positions of the Managing Board members (December 31, 2020)

Wiebe Draijer	• Member 'Cyber Security Raad' • Member Supervisory Board 'Staatsbosbeheer' • Board Member 'Nationale Coöperatieve Raad' • Chair Supervisory Board of 'KWF Kankerbestrijding' • Board Member 'Nederlandse Vereniging van Banken'
Bas Brouwers	• Vice Chair of the Board of 'Nederlandse Vereniging van Banken'
Kirsten Konst	• Board Member VNO-NCW • Member Supervisory Board IDH ('Initiatief Duurzame Handel')
Berry Marttin	• Member Supervisory Board 'Arise N.V.' • First Vice President of the Board of Directors American Chamber of Commerce • Board Member Trustees 'Hans R. Neumann Stiftung' • President of the European Association of Cooperative Banks • Member Advisory Board ISO NL
Ieko Sevinga	• Non-executive Board member DPG Media B.V.
Janine Vos	• Member Supervisory Board 'KLM N.V.' • Member Advisory Board 'Topvrouwen.nl' • Member Advisory Board Social Capital

Members of the Supervisory Board[1,2]

Members of the Supervisory Board (as of December 31, 2020)

Name	*Gender*	*Year of birth*	*Nationality*	*Position*	*Year of first appointment*	*Current appointment term expires in*	*Relevant additional positions*
Ron Teerlink (R.)	Male	1961	Dutch	Chair	2013	2021	• Member Supervisory Board Just Eat Takeaway.com N.V. • Chair Supervisory Board Vrije Universiteit Amsterdam
Marjan Trompetter (M.)	Female	1963	Dutch	Vice-chair	2015	2023	• Chair Supervisory Board 'Rijnstate Ziekenhuis', Arnhem • Treasurer KNHM Foundation • Owner Corona Consultancy
Petri Hofsté (P.H.M.)	Female	1961	Dutch	Member	2016	2024	• Member Supervisory Board Fugro N.V. • Member Supervisory Board PON Holding • Member of the Supervisory Board Achmea B.V. and of several subsidiaries • Chair of the Board Foundation Nyenrode • Juror 'Kristalprijs' Dutch Ministry of Economical Affairs and Climate Policy • Board Member 'Hendrik de Keyser' Association • Member of the Advisory Board of 'Topvrouwen.nl'
Arian Kamp (A.A.J.M.)	Male	1963	Dutch	Member	2014	2022	• Owner Partnership A.A.J.M. Kamp en W.D. Kamp-Davelaar (Dairy Farm) • Chair Supervisory Board Koninklijke Coöperatie Agrifirm U.A. • Chair Board Foundation 'Beheer Flynth'
Jan Nooitgedagt (J.J.)	Male	1953	Dutch	Member	2016	2024	• Chair Supervisory Board PostNL N.V. • Chair Supervisory Board Invest-NL B.V. • Board Member Fiep Westendorp Foundation • Board Member Foundation "Beschermingspreferente aandelen Fugro' • Chair Foundation 'Aandelenbeheer BAM Groep'
Pascal Visée (P.H.J.M.)	Male	1961	Dutch	Member	2016	2024	• Member Supervisory Board of Mediq Holding B.V. • Member Supervisory Board of Plus Holding B.V. • Member Supervisory Board of Royal FloraHolland U.A. • Chair Supervisory Board Foundation Stedelijk Museum Schiedam • Member Supervisory Board Erasmus University • Member Advisory Board Nolet Group • Non-Executive Member of Foundation Albron
Annet Aris (A.P.)	Female	1958	Dutch	Member	2018	2022	• Member Supervisory Board Randstad N.V. • Member Supervisory Board ASML N.V. • Member Supervisory Board Jungheinrich AG • Senior Affiliate Professor of Strategy at INSEAD
Mark Pensaert	Male	1964	Belgian	Member	2020	2024	• Non-Exec Board Member at AgfaGevaert N.V. • Senior Advisor to the Board of Tikehau Investment Management SA

The members of the Supervisory Board committees are listed in the Report of the Supervisory Board.

1 The Supervisory Board in its current composition meets principle 2.1.7 of the Dutch Corporate Governance Code.

2 Information about the profession, the main position, and the additional positions of Supervisory Board members can be found on www.rabobank.com/en/about-rabobank/profile/organization/board/supervisory-board-members.html

Managing Board Responsibility Statement

The Managing Board of Cooperative Rabobank U.A. (Rabobank) hereby declares that, to the best of its knowledge:

- The Financial Statements give a true and fair view of the assets, liabilities, financial position and profit of Rabobank, and the companies included in the consolidation;
- The Management Report gives a true and fair view of the state of affairs on the reporting date, and of the course of affairs during the financial year at Rabobank and those affiliated entities whose information is included in the Financial Statements;
- The Management Report gives sufficient insights into the shortcomings regarding the effectiveness of the internal risk and control systems;
- Information about internal control over financial reporting is provided in note 55 of the Consolidated Financial Statements;
- The Management Report describes the principal risks and uncertainties that Rabobank faces which may impact Rabobank's going concern in the coming 12 months and other future risks.

Managing Board
Wiebe Draijer, *Chairman*
Bas Brouwers, *CFO*
Els de Groot, *CRO*
Kirsten Konst, *Member*
Bart Leurs, *Member*
Mariëlle Lichtenberg, *Member*
Berry Marttin, *Member*
Ieko Sevinga, *Member*
Janine Vos, *Member*

Corporate Governance

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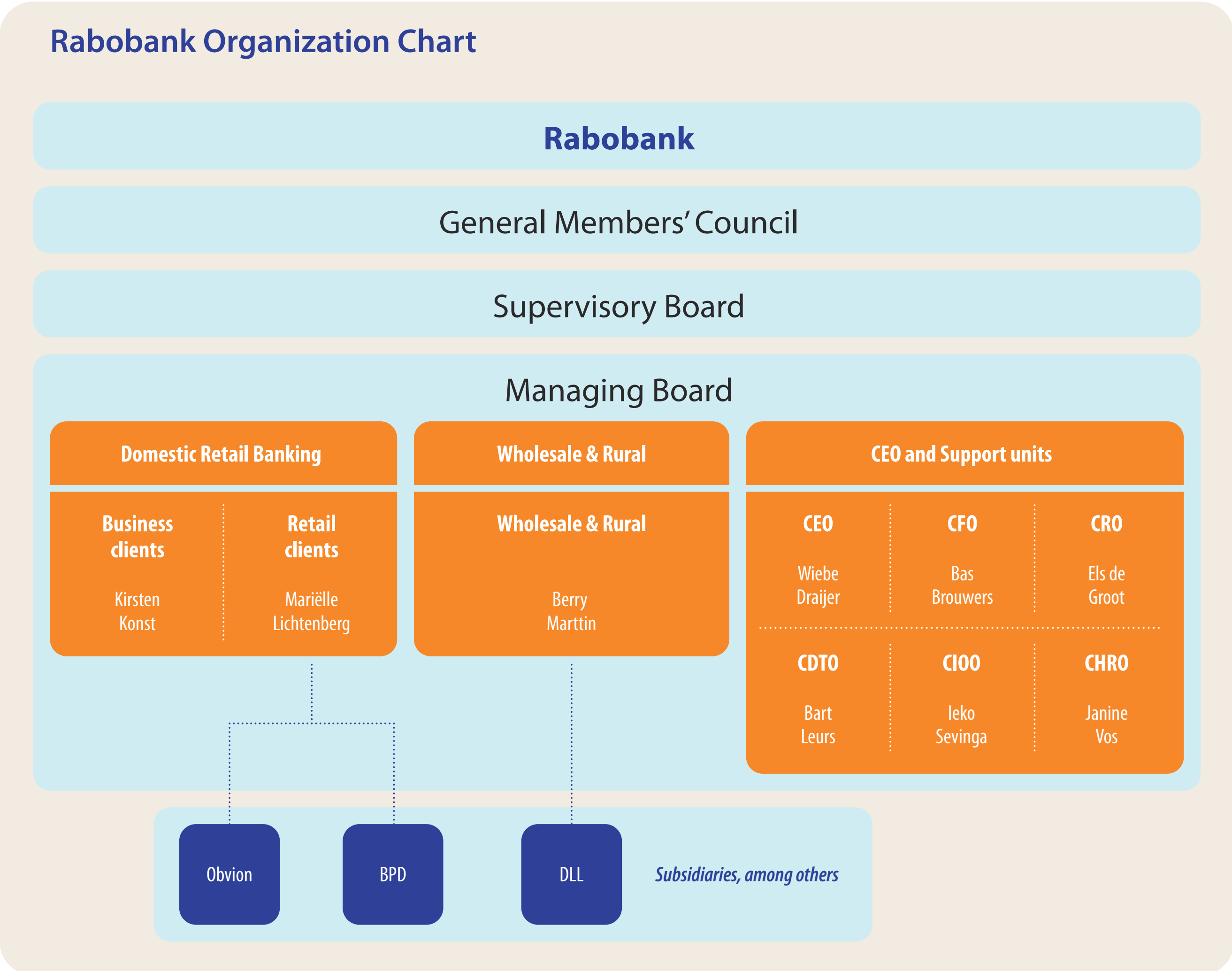
Corporate Governance

Our current governance structure has been in place since January 2016. All local Rabobanks and Rabobank Group Organization operate as one cooperative bank with one banking license and one set of financial statements. In daily practice, the unique features of our member-based governance prove their value, strength, and flexibility. These include the bottom-up decision making process, the associated focus on retail banking and its relatively stable income streams and retained earnings as the primary source of capital building. Moreover, member representatives in formal governance bodies are the social capital of Rabobank. These representatives ensure valuable connections and relationships of local Rabobanks and Rabobank Group Organization with society. The above characteristics safeguard Rabobank's special position in the financial sector, our long-standing focus on servicing the real economy and last, but not least, our ambition to contribute to the sustainable development of local communities.



The Governance Bodies in Short

The governance of Rabobank has always been adaptive. Since the establishment of the first credit cooperative in the Netherlands in 1895, Rabobank has been able to change in response to strategic considerations, to trends in society, and to developments in banking and regulation. As with previous governance regimes, the present governance structure is founded on a balanced system of closely interrelated and interacting bodies.

The governance underlines that member engagement and involvement are essential to a cooperative bank. These aspects are what set us apart from our competitors. The governance continuously triggers new initiatives to solidify cooperative aspects. Rabobank believes that permanent dialog with members is especially important for the future development of the bank.

A defining feature of the governance is that the cooperative status is fully integrated with the tactical and operational banking business. Bottom-up decision-making entails that member representatives ultimately approve the bank's strategic frameworks and safeguards its cooperative nature. In the following section, we will elaborate on the main roles and responsibilities of existing governance bodies and highlight recent salient developments and/or adaptations.

Cooperative Governance

Cooperatives are distinguished by the fact that clients can become members, and members give cooperatives legitimacy. Currently, more than 25% of our clients are members of a local Rabobank. It is our aim to increase this number significantly in the coming years as part of our cooperative renewal project. The member representatives in governance bodies exert an important influence on the course of the local Rabobank as well as of the entire organization. As a core feature of the cooperative governance, membership has always led to divergent internal dynamics and a different - strategic- orientation compared to financial institutions with different ownership structures.

Members are divided into roughly 85 member departments at the local level. Within each department members are organized into one or more delegates' election assemblies which appoint, suspend or dismiss the members of the Local Members' Councils (LMCs). These councils consist of 30 to 50 members. By bringing the outside world to the table, the members serving on these councils help keep the local Rabobank firmly on a cooperative track. LMCs have an important say in how cooperative funds are used. They are the "eyes and ears" and act as a sparring partner for the management teams of the local Rabobanks. They also have a number of formal duties and responsibilities, such as the right to approve the merger or demerger of a local Rabobank or to advise the general manager of the local Rabobank on its members' policy plan. LMCs monitor the overall performance of local Rabobanks, their local anchoring, implementation of the selected social themes, as well as the supervision exercised by the members of the Local Supervisory Body (LSB). There are various internal training courses for LMCs to improve their functioning and gather knowledge on social issues.

LSB members are appointed by and accountable to their LMCs and have to be members of Rabobank. An LSB does not derive its authority from law. The Managing Board has instead delegated the LSBs specific local governance powers under the internal local Rabobank rules.

The local banks and departments are allocated to 14 regional delegates' assemblies where local banks and departments in the same region meet each other. Local general managers and chairs of LSBs from the region participate in these regional assemblies. The assemblies have a basis in the Articles of Association and are important for the preparation for the General Members' Council (GMC). Regional delegates' assemblies are also responsible for strengthening their own relationships with Rabobank and for consulting on ways the local banks can cooperate to provide a stimulus to society in the region. They discuss the interests of the local banks, Rabobank, and the cooperative banking sector in general.

LSB chairs are key players in the collective governance as they represent members in the General Members' Council. At the local level, the LSB supervises a wide range of aspects. In this light, the general state of affairs and (cooperative and financial) performance of the local Rabobank must feature periodically on the LSB agenda. The first aspect includes an assessment of the extent to which the quality of the offered services meets the needs of clients and members. The LSB also judges the extent to which the local general manager and bank employees carry out their local responsibilities. This encompasses the focus on clients' long-term interests, the contribution to the sustainable development of the local community and the strengthening of ties between the bank and the local community. Regarding financial performance, the internal financial reporting of individual local Rabobanks is embedded in the governance structure to enable LSBs to perform their roles accurately and adequately. Furthermore, this body is authorized to supervise the degree to which the local Rabobank complies with external laws and regulations and the internal Articles of Association.

From a cooperative perspective, the formal intermediary role of LSBs between the bank, its members, and society will gain in importance in the future. This shift in emphasis requires a great awareness of the indispensability of participating in various networks and stimulating a lively dialog with grass roots members. Strong connections with local communities and members constitute the differentiating characteristic of a cooperative bank and embody our social capital as a precious asset. Because of the formal employer's role with regard to the general manager, LSBs have an important instrument at their disposal to guarantee cooperative leadership at their bank. This right comprises appointing, assessing, and suspending the banking director. The LSB is also authorized to approve a number of important local decisions, for example, local budget and local strategy as derivatives of the overarching budget and strategy of Domestic Retail Banking as agreed in the GMC. Lastly, the LSB has an advisory role with regard to the management of the local Rabobank.

In recent years, we developed and employed specific programs to stimulate the diversity of LSBs. It is important that the collective of local supervisors is an adequate reflection of our customer and member base. Judged by the decline of the average age of all local supervisors and the percentage increase in the inflow of female supervisors, these measures already seem to be meeting with success. In addition, there is special training for young supervisors. Several tools are available to assess and improve the functioning of individual LSBs.

The GMC is the highest decision-making body in the Rabobank governance. It consists of chairs of all LSBs. Although the LSB chairs participate in the GMC, they also take the local points of view into account. The GMC has around 85 members and meets at least twice a year. It focuses on the strategic framework and on the basic premises of the identity of Rabobank, from the cooperative to local Rabobanks and all other group entities. The GMC has three permanent committees: the Urgency Affairs Committee, the Coordination Committee, and the Committee on Confidential Matters. Due to the exceptional situation related to the corona pandemic, the GMC held seven (virtual) meetings in 2020.

On behalf of the members, the GMC safeguards continuity while also acting as a custodian of collective values. The GMC evaluates the governance and the banking business based on commonly agreed strategic principles. It appoints members of the Supervisory Board of Rabobank on the recommendation of the Supervisory Board, which appoints the statutory members of the Managing Board. The Supervisory Board supervises the Managing Board. Both the Supervisory Board and the Managing Board are accountable to the GMC.

To perform these functions, the GMC has several formal tasks and responsibilities. The GMC has the power to amend the Articles of Association or change Rabobank's legal status. It adopts the annual accounts and has advisory and approval rights for major decisions taken by the Managing Board. The GMC, for instance, has an approval right regarding the basic premises of Rabobank's identity and strategic frameworks and the main points of the annual strategy and budget.

Considerable changes in Domestic Retail Banking and the increasing digitalization of financial services prompted the GMC to initiate an internal discussion on the renewal of the cooperative as well as on the revitalization of Rabobank's membership. To this end, a special committee on cooperative renewal formulated a number of proposals in 2019-2020. The following spearheads will be taken up. First of all, the aim is to improve the way members are represented. To this end, an evaluation of the governance is taking place, which may have consequences for LMCs and LSBs. One of the identified points of attention is to further increase diversity in these bodies, thus better reflecting the heterogeneity of the member base. This aspired transformation will be supported by a qualitative improvement in the training and education programs for both bodies. In addition, cooperative renewal will be concretely implemented to increase the attractiveness of membership and to stimulate members' participation in democratic processes. At the same time, a great deal of energy will be devoted to Rabobank's four societal themes, with important roles for LMCs, LSBs, and general directors.

In parallel with the committee on cooperative renewal, an ad-hoc Governance Evaluation Committee discussed the impact of different fundamental changes in banking, (e.g., digitalization, compliance requirements and risk management), on the organization of the local banking business in 2020. These elaborations eventually led to adaptations in the local banking business under the project name Banking 3.5. An important change concerns the formation of teams for servicing customers at the regional level and the envisaged establishment of a so-called Regional Management Team, comprising all general managers of the local banks in the respective region. At the same time, the general managers at the local level are granted greater and stronger responsibilities to design and implement cooperative themes together with LMCs and LSBs.

In the governance, the general directors and all employees of the local Rabobanks are entrusted with the important task of acting in harmony with the cooperative spirit, and of offering corresponding financial services. They have important local responsibilities as laid down in the internal local Rabobank rules. These directors are mandated by the Managing Board to safeguard their local orientation and firmly anchor their local Rabobanks in these communities. General managers can exercise their authority in order to provide high quality local banking services. They can also transform the concept of cooperative identity from idea into reality at the local level. In this respect, local staff participate actively in social and virtual networks in order to maintain close ties with the local community.

Banking Business

Tactical, operational, and policy-related banking are addressed in the Directors' Conference. This body is composed of the local general directors, the Managing Board, and the directors of divisions which support local Rabobanks. The Directors' Conference is an important and influential platform with a preparatory, informative, and advisory role for proposals and policies concerning local Rabobanks. The Conference also fulfills an intermediary position between the highest echelons of the bank and its local divisions, especially with regard to safeguarding clients' interests and needs.

Corporate Governance Codes

The Dutch Corporate Governance Code

The Dutch Corporate Governance Code 2016 applies to listed companies and contains principles and best practice provisions for what is generally regarded as good corporate governance. Because of its cooperative structure, Rabobank is not required to comply with the Dutch Corporate Governance Code. Nevertheless, we have committed to comply with the code as much as possible. We depart from the code on just a few points, partly due to our cooperative structure. Please refer to www.rabobank.com for an overview.

The Dutch Banking Code

In 2009, the Dutch Banking Association adopted the Banking Code for Dutch banks in order to regain the public's trust in the banking sector. The Banking Code aims to ensure stable, service-oriented, and reliable banks for stakeholders by setting out principles of conduct for Dutch banks in terms of corporate governance, risk management, audit, and remuneration.

In 2013, the Committee on the Structure of Dutch Banks (the "Wijffels Committee") laid significant foundations for the further strengthening of Dutch banks.

In 2015, the Dutch Banking Association introduced a Social Charter, which includes an updated Banking Code, and implemented a bankers' oath (with the associated rules of conduct and a disciplinary system). By taking these actions, Dutch banks, including Rabobank, want to demonstrate what they stand for and what they want to be held accountable for in the ongoing renewal process as individual banks and as an industry at the heart of the community. The Social Charter, the Banking Code 2015 and the rules of conduct associated with the bankers' oath together form a package called "Future Oriented Banking". We have endorsed the package. For further information about our compliance with the Banking Code 2015, please refer to www.rabobank.com.

Governance Code for Cooperatives (NCR)

Rabobank is a member of the Dutch Cooperative council (NCR). In 2019, NCR thoroughly revised the Governance Code for Cooperatives with the aim of contributing to improving the level of cooperative entrepreneurship, member involvement, and the collective ethos and mutuality.

Cooperative entrepreneurship means that a cooperative is a form of association run as a business. The business works on behalf of its members and meets a common need. Cooperatives also focus on creating value for the long term. This principle is a key theme of Rabobank's cooperative renewal.

Member engagement means that all members are important, and that the organization is based on democratic member control and principles of mutual solidarity. The collective ethos and mutuality mean that all members are also customers. The relationship between the members is based on collaboration and solidarity.

In 2020, we substantiated and further elaborated on how the bank complies with the principles and rules of the Code. An overview of the adherence to the NCR Code can be seen on www.rabobank.com. In conclusion, the bank adheres to all the principles and best practices taking into account the fact that the bank as a financial institution is encounters limitations as well as assurances with respect to some best practices. For example, the rule in the Governance Code for Cooperatives stating that the cooperative has to create capital is a key, legal requirement for the bank as a financial institution.

Remuneration

Our Vision on Remuneration

Our vision on remuneration has been developed with the aim to support our cooperative objectives and our core values. As a cooperative we aim to enable employees to contribute to welfare and prosperity in the Netherlands and to help resolve the global food issue, through our financial services and by prioritizing sustainability and innovation. Our remuneration policy looks at the long-term interest of the bank, and takes into account the general interest and that of our customers. Thereby it supports our cooperative identity, and the related strategy and risk appetite. This results in a policy that is meticulous, restrained, social responsible and sustainable. We aim for relatively moderate pay levels.

In order to be an attractive employer, we want to attract, retain, and develop talent, focus on empowering our employees, and nurture diversity and inclusion. We support this by offering fair remuneration packages and also by providing a valuable set of secondary conditions (such as an attractive working environment, a good pension structure, and by focusing on opportunities for growth). Our global performance management system GROW!, our worldwide education and training program and the Development Budget for employees in the Netherlands contribute to employees' professional and personal development.

Remuneration Policies

Our vision on remuneration is reflected in several policies. For most Rabobank employees and Obvion employees, the Collective Labor Agreement (CLA) is applicable. A separate remuneration policy applies to the Managing Board and other executives. DLL International and Bouwfonds Property Development (BPD) have each adopted remuneration policies of their own. Remuneration policies for Wholesale & Rural (W&R), DLL, and BPD located outside the Netherlands are partly based on local legislation and regulations, as well as on local market conditions.

The principles and guidelines of our vision on remuneration are detailed in our Remuneration Policy, which is updated annually. The policy takes into account that Rabobank is a substantial bank with an international scope and complex activities. It supports robust and effective risk-management processes designed to protect our long-term results and our solid capital position. This is accomplished, for example, by incorporating risk mitigating measures and by creating risk awareness among employees. The policy further encourages employees to aim for sustainable results in line with the long-term interests of Rabobank, our clients and other stakeholders.

Each year, the Supervisory Board is informed about the implementation of the remuneration policy by means of a group-wide report. This report includes, in addition to the fixed and variable pay of the highest earners, information such as all significant retention bonuses, sign on bonuses, buy outs, and severance payments that have been awarded. In accordance with Dutch legislation, the works council is annually informed about pay levels and pay ratios within the Netherlands.

General Outlines of the Remuneration Policy

In general, the level of fixed pay for positions within the Netherlands is determined by a job evaluation resulting in a job grade for each position. Each job grade is linked to a salary scale, which provides a fixed remuneration range. In case local benchmarks are available, fixed pay for positions outside the Netherlands are determined in the same way. The salary scales are set around the median of the market for comparable work, so that they comply with our vision on remuneration. Within Rabobank, only a specific group of employees is eligible for variable pay. In the Netherlands, this group consists mainly of employees within Wholesale Banking and Treasury. Additionally, it applies to our employees abroad and employees of our subsidiaries. Variable pay is never guaranteed, and performance management processes ensure that it does not reward for failure or misconduct.

The link between performance and pay is determined in performance management documents, in which the contribution of employees to the Rabobank targets, their behavior, and their personal growth are assessed. The performance objectives consist of a balanced set of financial and non-financial criteria. At least half (50% weighting) of the performance objectives must be non-financial. The non-financial criteria are determined by collective and cascaded key performance indicators (KPIs) that are directly linked to our strategic priorities: 100% digital convenience, top customer advice nearby, growth with innovation, top performance, optimal balance sheet, exceptionally good execution, focus on social responsibility and sustainable contribution, involved members and communities, inspired employees, and one-Rabobank culture. The performance objectives do not contain incentives that might encourage behavior that is careless or otherwise not in the clients' best interest.

The world is currently in an extraordinary situation, our customers have been deeply impacted by the Covid-19 crisis and this has also had its impact on Rabobank. In response we takes our responsibility by being prudent in awarding of pay increases and variable pay. In 2020, the variable remuneration for Rabobank worldwide was EUR 150.7 million (2019: 197.1), approximately 6% of the total amount reserved for remuneration. Furthermore, the remuneration policy complies with Dutch and European legislation including capping variable pay to an average of 20% of fixed pay for employees working in the Netherlands, and a maximum of 100% of fixed pay for employees working outside the Netherlands. In 2020, we did not make use of the provision provided in Dutch law to award variable pay up to 200% in countries outside the EEA. As determined by regulation, variable pay is awarded in the form of cash and instruments (each 50%) and several risk-mitigating measures are in place for all variable payments, such as ex-ante and ex-post testing and the ability to apply malus and clawback. For those employees eligible for variable pay, a risk-mitigating target is part of their individual objectives.

The group of employees with a material impact on the risk profile of the bank is designated as Identified Staff. The list of Identified Staff is updated during the year, with personnel changes on Identified Staff positions, and the aim to include or exclude Identified Staff positions after reorganizations. In addition to the specific performance management requirements, specific risk mitigating measures have been established regarding variable pay for Identified Staff. This includes the payment of variable pay on a deferred basis which enables adequate consideration of the risks related to the underlying business activities. Generally, the payment of variable pay to Identified Staff is spread over a period of three years (as per 2021 over four years). For those employees qualified as "Senior management", however, the deferral policy stretches to five years. For employees receiving variable pay above a certain amount, but not designated as Identified Staff, a deferral policy is also taken into account in order to allow the ex post test to be performed. In 2020, four Identified Staff (one at DLL and three at Rabobank) earned a total remuneration (including pension contributions) between EUR 1.0 and 1.5 million.

Supervisory Board

The remuneration of the members of the Supervisory Board is in line with our vision on remuneration and is based on both a cross- industry benchmark and a banking benchmark for similar positions in Continental Europe. The current remuneration levels were determined in 2016 and no changes have been made, since then. The remuneration in 2020 was as follows.

Fee Structure Supervisory Board

As of October 1, 2016	
In euro's	*Fee*
Member	90,000
Chair of Audit Committee, Risk Committee, Cooperative Issues Committee, additional	20,000
Chair of Appointments Committee together with Remuneration and HR Committee, additional	20,000
Vice-Chair, additional	30,000
Chair	220,000

Individual Remuneration

The individual remuneration in 2020 for members of the Supervisory Board was as follows:

Remuneration Supervisory Board

In thousands of euros	*Remuneration*
Annet Aris	90
Leo Degle	63
Petri Hofsté	110
Arian Kamp	110
Jan Nooitgedagt	110
Ron Teerlink	220
Marjan Trompetter	140
Pascal Visée	90
Mark Pensaert	66
Total 2020	**999**
Total 2019	**998**

In 2020 Jan Nooitgedagt, Pascal Visée, and Petri Hofsté were reappointed for another four years. No changes were made in their individual remuneration. As of April 8, 2020 Mark Pensaert was appointed as a member of the Supervisory Board. Leo Degle resigned as member of the Supervisory Board at the end of his term as of September 16, 2020.

Individual Loans

The outstanding loans of the members of the Supervisory Board in office on December 31, 2020 and the average interest rates were as follows:

Outstanding Loans Supervisory Board

In millions of euros	*Outstanding Loans*	*Average Interest Rate (in %)*
On December 31, 2020		
Arian Kamp	1.1	1.4
Marjan Trompetter	0.6	2.5

Members of the Supervisory Board not listed in the table had not received any loans, advances or guarantees at year-end 2020.

Managing Board

The Managing Board Remuneration Policy, in line with our vision on remuneration, focuses on contribution and leadership to realize our cooperative mission. Changes to the remuneration policy are put to the General Members' Council for approval. Managing Board members are appointed for a period of four years. Their individual remuneration is determined for that specific period. Managing Board members are not eligible for variable pay. The remuneration policy for the Managing Board was approved by the General Members Council in 2017 and remained unchanged in 2020.

The remuneration policy for the Managing Board consists of two clusters: Chair of the Managing Board, and Member of the Managing Board. The positions within the Managing Board are benchmarked against two benchmarks: a cross-industry peer group in the Netherlands and a banking Continental Europe peer group. Based on the 2017 benchmark, salary ranges were set for the two clusters. The remuneration structure and salary ranges of the Managing Board are as follows:

Salary Ranges Managing Board

Salary Ranges	*Minimum*	*Maximum*
Chairman of the Managing Board	€ 884,000	€ 1,154,400
Member of the Managing Board	€ 477,000	€ 884,000

Apart from their salary, the members of the Managing Board receive secondary employment conditions such as a pension scheme, which is a collectively defined contribution plan. The maximum income for pension accrual (regulated by law) was EUR 104,115 as of January 1, 2020. In addition, members of the Managing Board receive an individual pension contribution. A mobility policy is in place for all members of the Managing Board for the purpose of commuting and business travels.

Individual Remuneration

With the appointment of the Managing Board in 2017, reference points per position were defined. The individual remuneration of the Managing Board members is based on the external benchmark of the position, as well as on the members' personal capabilities and their leadership profile. The Managing Board is collectively responsible for Rabobank's results. This will be reflected in the remuneration levels in the coming years.

The individual remuneration in 2020 of the members of the Managing Board is as shown below. The remuneration is divided into salary, pension scheme, individual pension contribution, and other payments, such as the compensation for (part of) the loss of the deferred variable pay from a previous employer (buy out), discount on mortgage interest rate, and compensation for financial advice.

Remuneration Managing Board

In thousands of euros	*Salary*	*Pension Scheme*	*Individual Pension Contribution*	*Other*	*Total*
Wiebe Draijer	980	28	210	0	1,218
Bas Brouwers	884	28	187	18	1,117
Els de Groot	750	28	155	20	953
Kirsten Konst	800	28	167	2	997
Bart Leurs	650	28	131	0	809
Mariëlle Lichtenberg	750	28	155	7	940
Berry Marttin	884	28	187	20	1,119
Jan van Nieuwenhuizen (till September 1, 2020)	589	19	19	14	641
Ieko Sevinga	750	28	155	0	933
Janine Vos	650	28	131	0	809
Total 2020	**7,678**	**269**	**1,497**	**82**	**9,536**
Members Managing Board	7,098	251	1,479	68	8,896
Former members Managing Board	589	19	19	14	640
Total 2019	**7,993**	**272**	**1,674**	**13**	**9,952**

Jan van Nieuwenhuizen resigned as member of the Managing Board as of September 1, 2020. As of September 2020 the Managing Board consists of nine members.

Individual Loans

The outstanding loans of the members of the Managing Board in office and the average interest rates on December 31, 2020 were as follows:

Outstanding Loans Managing Board

In millions of euros

On December 31, 2020	*Outstanding Loans*	Average Interest Rate *(in %)*
Bas Brouwers	0.7	1.5
Kirsten Konst	0.1	5.0
Bart Leurs	0.8	2.2
Mariëlle Lichtenberg	1.0	3.5
Janine Vos	0.9	2.3

Individual Certificates

Some members of the Managing Board have personally invested in Rabobank Certificates, these are listed below:

Certificates Managing Board

	Number of Rabobank Certificates	*Remarks*
On December 31, 2020		
Kirsten Konst	840	
Mariëlle Lichtenberg	1,018	
Berry Marttin	10,084	

Domestic Banking

Executive Positions

The levels of management below the Managing Board are referred to as "executive positions". At year-end 2020, 214 employees (2019: 214) were in an executive position, of which 4% were classified as expats working abroad on a Dutch contract. The total remuneration of executive positions equals the total of 2019.

The fixed remuneration packages for executives were determined by job grades, based on Hay points. These job grades are linked to five executive salary ranges. Only a select number of the executive positions are eligible for variable pay, dependent on the type of work and on the type of business in which they operate, for example in specific commercial roles. The majority of executives only receive fixed remuneration.

Furthermore, we offer an attractive package of secondary employment conditions, such as opportunities for learning and development and a car lease arrangement. Every five years executives can have a paid sabbatical period of two months. The Rabobank pension scheme, a collectively defined contribution plan, applies to the executive positions. The maximum income for pension accrual (regulated by law) was EUR 104,115 as of January 1, 2020. Executives receive an individual pension contribution according to the level of their position.

Domestic Banking - CLA Employees

At year-end 2020 24,475 employees (2019: 25,795) were employed under the terms of the Rabobank CLA, including Obvion. The remuneration package for position scales 1 to 11 and Senior Staff A and Senior Staff B consists of fixed income, the Employee Benefit Budget (EBB), pension, and fringe benefits. The salary scales in the Rabobank CLA are based on the Hay Group's system for evaluating jobs. For 2020, a collective salary adjustment of 1% was agreed with the labor unions. Salary progression within a position is based on the performance management results over the previous year, looking at individual contribution, behavior, and personal development. Since 2013, the CLA does not include variable pay.

The Rabobank CLA pension scheme is a collectively defined contribution scheme. The maximum income for pension accrual (regulated by law) for full-time employees as of January 1, 2020 was EUR 104,115. Employees with an income higher than the accrual receive a personal budget. All CLA employees receive the Employee Benefit Budget (EBB) as a percentage of their fixed salary. The EBB provides flexibility and choice of employment terms including options to buy extra leave, purchase a bicycle in a tax-efficient way or pay out of the amount.

The average remuneration for our employees in the Netherlands at year-end was EUR 81,565 which results in a ratio of 1:14.9 between the average remuneration and the Chairman of the Managing Board[1]. This ratio has decreased during the last years, due to fact that the remuneration policy for the Managing Board remained unchanged while the population of Rabobank has shifted to more highly educated employees resulting in a higher average remuneration for Rabobank employees.

1 Starting 2020, the average remuneration will be calculated instead of the median remuneration that was used in 2019. Pension costs have also been included since 2020. It is therefore not possible to compare the remuneration level of 2019 with 2020.

DLL

DLL has a global policy in which remuneration levels are in line with the local labor market. The total remuneration package is slightly above the median of comparable financial services institutions. It comprises a fixed salary and variable remuneration components for most positions. Senior management is not eligible for variable pay. Variable pay for other employees cannot be higher than 100% of their fixed salary. Alongside a fixed salary DLL offers employees a broad package of various fringe benefits, such as pension schemes and health insurance packages. The link between performance and pay is expressed in DLL's performance management system, which is based on quantitative and predominantly qualitative targets.

BPD

As an independent organization within Rabobank BPD runs its own moderate remuneration policy which meets the requirements of the Rabobank Remuneration Policy. BPD distinguishes three groups of employees: CEO, Executives, and employees subject to the Collective Labor Agreement. Each group has its own employment package including remuneration consisting of fixed and variable pay and a pension scheme in line with that of Rabobank.

The BPD CLA includes a Performance & Competence Management system (PCM) to steer results and employee development. BPD also employs staff outside the Netherlands, namely at BPD Deutschland which also has a specific remuneration policy and PCM.

Report of Rabobank's Supervisory Board

Impact of the Corona Crisis

The Supervisory Board began 2020 with an energetic start. We focused on long-term strategic priorities as set out in the Supervisory Board annual planning for 2020 until March, when our annual planning was completely upended by the crisis caused by the corona virus. The long-term focus shifted temporarily to the short-term to safeguard continuity for customers, to enable employees to work from home, and to manage credit risk. The Supervisory Board focused intensively on employees, risk management, continuity of systems and processes, and on informing all relevant stakeholders. We held extensive discussions on the scenario analyses and stress tests of RaboResearch, which they produced with high frequency at the start of the crisis. These helped us to estimate and manage the impact of the crisis on the bank's capital and liquidity position. Regulatory bodies and governments announced special rules and measures to offer relief and support to society and the financial sector. The Supervisory Board advised the Managing Board on the discussion relating to non-payment of dividend on Rabo Certificates in late March 2020 and the "stock" dividend in early December 2020. The Supervisory Board also kept up to date on business continuity issues through special reports from the Risk department and from Audit Rabobank.

Despite this exceptional situation, the Supervisory Board was also obliged to retain focus on certain material and strategic topics including compliance to Anti Money Laundering regulation, the impact of digitalization, and the continuing low interest rate environment, alongside recurring topics like the interim results and the budget.

2020 was an intense year in every respect, and the Supervisory Board wishes to take this opportunity to express its great appreciation for all employees and the members of the Managing Board, for their courage, stamina, agility, and creativity in countering this crisis.

At the outbreak of the corona crisis, the Supervisory Board was forced to switch overnight from face-to-face contact to exclusively digital interaction. Since March 2020, all our meetings have been online. The number of meetings convened by the Supervisory Board more than doubled in 2020: alongside the meetings in the normal schedule, many additional sessions were held with the Managing Board, with committees, with the representatives of the regional banking units in preparation for the General Members' Council (GMC), and with the GMC itself.

Beyond the Corona Crisis

There were a couple of other themes and topics that called for the Supervisory Board's full attention in 2020. One of these was the ongoing development project to restructure the banking business in the Netherlands, known as "Banking 3.5." This project is an extension of the Banking 3.0 program which was implemented in the Dutch banking business some years ago. The Supervisory Board had its own meetings on the subject and was involved in consultations on this topic with the Managing Board and as a representative to the GMC Governance Evaluation Committee. In all these consultations, the key concern of the proposals was to ensure balance between the following aspects: local embedding, quality of risk management, and the quality and development of employees.

Additional Priorities in CDD/KYC

Besides Banking 3.5 and the corona crisis, Customer Due Dilligence/Know Your Customer (CDD/KYC) was also in 2020 a top priority. As in previous years, the Supervisory Board was extensively informed about and consulted on the matter of CDD/KYC. The primary area of focus was on programs for improvement of processes, and systems used to comply with regulations concerning customer integrity as well as the quantity, quality, training and organization of the employees and other resources involved. In 2020, the Supervisory Board performed an extensive self-assessment, supported by an external party, on the effectiveness of the supervision on the recovery measures related to managing customer integrity risks. Acting on one of the lessons learned from this assessment, we created an ad hoc "Supervisory Board KYC Committee"in October 2020. The Committee will hold more frequent and smaller-scale meetings to support preparation for the discussion in the full Supervisory Board. It will also ensure more prompt responses to and monitoring of developments and progress on CDD/KYC issues. The work of this ad hoc Committee will ensure richer and more in-depth discussion on KYC in the Supervisory Board.

In late 2020 the multi-annual plan/budget was a regular item on the Audit Committee's agenda and was subsequently discussed in the Supervisory Board. Before the corona crisis, the bank already faced a challenging operating and financial environment due to, among other things, low interest rates. There was no improvement in these circumstances in the course of the year. The budget for 2021 and the multi-annual plan to 2025 address these challenges. The focus of the Supervisory Board has been on programs that are essential to achieving the long-term objectives.

In respect of the GMC, in addition to the three standard committees, two ad hoc committees were created for cooperative renewal (2018) and the evaluation of the governance (2019). The Supervisory Board appointed representatives to these committees. Since the cooperative renewal program was agreed by the GMC in fall 2019, the Cooperative Renewal Committee has monitored progress on the activation plan to renew the cooperative bank. Some steps of the plan have already been taken to involve customers, members, employees, and society, and to initiate dialog sessions with members.

Following the biannual survey on the governance in 2019, the relevant GMC Committee set to work. The conclusions of the 2019 survey were positive, in as much as the foundation of the current governance is considered satisfactory. In 2020, this GMC Committee added the further development of the local banking business and the related governance to the items on its agenda. The Managing Board, acting on a recommendation of the committee, submitted a proposal on these topics to the GMC. This proposal was approved by a substantial majority. For 2021 the GMC Governance Evaluation Committee will prioritize the remaining governance issues arising from its evaluation.

Recurring Agenda Items for the Supervisory Board

Besides these exceptional topics, in 2020 the Supervisory Board was able to achieve results on the business-as-usual topics. The Supervisory Board succeeded in applying a more targeted and thematic approach to the issues for consideration by the different committees and by the Supervisory Board itself, which led to more in-depth discussions of agenda items. The employee suitability cycle is one of the recurring topics, as are the interim and full year results, ICAAP/ILAAP, model risk, fraud and discussing the findings of the on-site inspections and themed studies by regulators.

In late 2020, the Supervisory Board held a self-assessment session to reflect on the year. It was a complex year with far-reaching effects. Despite the difficult circumstances of the year, the Supervisory Board operated effectively. The Supervisory Board is now focusing exclusively on what lies ahead, specifically for the longer term.

The scheduled contacts with financial regulators in the Netherlands and abroad went ahead in 2020, mostly through online sessions.

Appointments and Departures

At the start of the year, Jan van Nieuwenhuizen announced his intention to step down from the Managing Board. Jan elected to delay his departure until September 1, 2020, which was more than welcome. We would like to thank him for his commitment and contribution to Rabobank. The announcement that Jan would leave the bank led to a project to reallocate the Managing Board portfolios. However, the project was temporarily suspended mid-year in light of the serious matters related to Covid-19 and the work on the CDD recovery project. Berry Marttin took over responsibility for Wholesale, alongside his Rural International portfolio.

In 2020 Leo Degle stepped down from the Supervisory Board after completing two terms. The bank thanks him for his critical approach and his attention to the international domain and risk management. He was also intensively involved with matters relating to culture and conduct in the bank, for example as a participant in the HR & Remuneration Committee. His departure meant that a vacancy arose on the Supervisory Board. We welcomed the appointment of Mark Pensaert to the Supervisory Board. Mark was selected for his international banking profile and brings long standing and in-depth knowledge and experience of the financial sector (investment banking) and capital markets. He is a born leader with a passion for entrepreneurship and innovation.

Another appointment to the Supervisory Board is scheduled for 2021, awaiting approval of the GMC in the second quarter of 2021. Jan Nooitgedagt, Petri Hofsté, and Pascal Visée concluded their first terms in 2020 and they were all reappointed for a new four-year term by the GMC.

Composition and Attendance Figures of the Supervisory Board and Its Permanent Committees, as of December 31, 2020

Meeting	SB	Risk	Audit	CCA	Rem & HR	Appointments
Number of meetings	*# 23*	*# 7*	*# 8*	*#4*	*# 8*	*# 8*
Ron Teerlink	100% (Chair)		100%	75%	75%	75%
Marjan Trompetter	100%	100%	-	100%	100% (Chair)	100% (Chair)
Petri Hofsté	100%	100%	100% (Chair)	100%	-	-
Jan Nooitgedagt	91%	100% (Chair)	100%	-	-	-
Leo Degle[1]	74%	71%	-	-	63%	63%
Pascal Visée	96%	-	100%	-	88%	88%
Arian Kamp	100%	86%	-	100% (Chair)	-	-
Annet Aris [2]	100%	71%	25%	-	100%	100%
Mark Pensaert[3]	61%	86%	-	-	-	-

1 Leo Degle officially resigned from the Supervisory Board as of September 2020

2 Annet Aris became a member of the Audit Committee per November 2020 in exchange for her membership of the risk committee

3 Mark Pensaert was appointed to the Supervisory Board per April 2020

The responsibilities and duties of the Supervisory Board and its permanent committees are described in the respective Rules of Procedure as can be found on www.rabobank.com.

Supervisory Board

General Responsibilities and Duties

The Supervisory Board supervises the policies pursued by the Managing Board and the general course of affairs at Rabobank and its affiliates. In addition to its supervisory role, the Supervisory Board serves as an advisor to, and employer of the Managing Board. The Supervisory Board members also act as Rabobank "liaison officers" by engaging with members, clients, and other stakeholders.

Meetings

In 2020, the Supervisory Board convened 23 times in total. These meetings were attended by the Managing Board. In addition to this, the Supervisory Board held several private meetings.

Topics

In 2020, the Supervisory Board started off with its regular agenda and since March 2020 the agenda of the Supervisory Board meeting was obviously dominated by corona-related issues like stress tests, client and employee related matters, mitigating actions of the bank, liquidity and capital, advice on (non-)compensation of the Rabo Certificates and IT systems.

As the year progressed, the agenda transferred to a more normal agenda with strategic and recurring topics. The Supervisory Board received frequent updates about Rabobank's financial performance, macro-economic outlook, risk- and compliance-related issues and regulatory developments. The Supervisory Board also discussed the outcome and follow-up of letters, on-site visits of the regulator and was notified of special topics of its committees. In cases requiring the approval of the Supervisory Board, the relevant committee presented its advice to the full Supervisory Board.

In 2020 the Supervisory Board paid special attention to the transition of the local banks (Banking 3.5), MTP, research on added value. difference between statutory/ non-statutory managing board members. Intensive discussions were held on KYC/ CDD.

Risk Committee

General Responsibilities and Duties

The Risk Committee prepares the Supervisory Board’s decision-making regarding the supervision of the integrity and quality of the bank’s development and implementation of the risk governance framework, risk control system, and risk appetite. This entails, among others, reviewing and effectively challenging our risk analysis scenarios and promoting risk awareness within a strong risk culture.

Meetings

In 2020, the Risk Committee convened seven times of which two meetings had a thematic character. In March 2020, a combined meeting of Risk Committee and Audit Committee (RC-AC bridge session) took place for the second time. In this bridge session the IRRBB Position Management Strategy and the Pillar 3 report were extensively discussed. Like in previous years, a combined meeting of the Risk Committee and the plenary Supervisory Board was organized to have an in-depth discussion on (and subsequent approval of) the yearly ICAAP/ILAAP/Stress Test package submissions to ECB. Because of the Covid-19 crisis, subsequent sessions were held to assess the impact on ICAAP/ILAAP. During the discussions, subject matter experts were present. Two sessions on continuing professional education were held in conjunction with the members of the Supervisory Board's Audit Committee (see overview below on educational efforts).

Topics

During the Covid-19 crisis, the Risk Committee was extensively informed on the impact of the Covid-19 crisis on the bank, its clients, and the mitigating measures that the bank took. The Covid-19 updates in the Risk Committee typically covered information on exposures, sectors and clients, liquidity and capital, the business lines, employees and well-being, regulatory developments, and the macro economic outlook.

Further to that, the Risk Committee discussed the quarterly reports on Integrated Risk (covering all categories of financial and non-financial risk including for instance Market Risk, Interest Rate Risk, Business Risk) as well as the semi-annual reports from Legal and Compliance. Also, the Risk Committee advised the Supervisory Board on among other things, ICAAP/ILAAP, the Risk Appetite Statement, the Recovery Plan, and the Remuneration Policy.

In 2020, the Risk Committee had two theme-based meetings. In these meetings, special attention was given to business and risk updates of DLL and TCF, the foundations of the bank's IRRBB strategy, the current status and developments of the bank's NPL strategy (including the impact of Covid-19 on the bank's NPL portfolio), the status and progress made with respect to Transaction Reporting and its regulatory requirements and the status and progress made with respect to credit risk modelling (Rabo Model Landscape/Credit Risk Analytics Strategy).

The Risk Committee frequently discussed the status and outlook of the bank's Operational Risk profile (including Back-to-Green actions) and engaged in deep dives on (i) digital transformation, (ii) the status and the mitigation of the risks related to IT, Information Security, Outsourcing, Business Continuity, model risk and fraud (iii) RCF Next Steps, (iv) Climate Change Risk and (v) the Product Approval and Review Process.

The Risk Committee also received regular updates on the outcomes and follow up regarding the OSI's that took place within the domains of Risk and FR&R, the outlines of the CLR Future Fit Program and the self-assessment and operational audit of the Risk Management Function.

Audit Committee

General Responsibilities and Duties

The Audit Committee prepares the Supervisory Board's decision-making on all matters regarding the integrity and quality of Rabobank's financial reporting, the effectiveness of Rabobank's internal control framework on financial reporting, external audit, internal audit, and the functioning of the compliance function.

The Audit Committee submits recommendations to the Supervisory Board on matters referred to in the Rules of Procedure either on request or at its own initiative.

Meetings

In 2020, the Audit Committee convened eight times, held one "working session" in preparation of the discussion on the 2020 budget and one combined meeting of the Risk Committee and the Audit Committee. Two sessions on continuing professional education were held at the request of the Audit Committee for the Supervisory Board (see overview below on permanent educational efforts).

Topics

Regular topics of discussion on the agenda of the Audit Committee are the Financial Performance Reports which are discussed on a quarterly basis, updates on relevant developments in the financial markets, quarterly internal audit reports and half yearly reports on the compliance function. Also updates on communications with and from external supervisors are on every agenda of the Audit Committee.

In preparation of the approval by the Supervisory Board of the budget and discussion of the medium year plan, the Audit Committee has discussed the segment plans in a working session with the responsible CFOs of the segments, and thereafter reviewed the budget with the Managing Board, considering the impact of the low interest rate environment and the pandemic on the longer term targets and the critical execution priorities for the coming year.

In 2020 the Committee has paid special attention to the impact of the Covid-19 pandemic on the financial performance, the bank's program dealing with the transition of benchmark rates, updates on the impact of Basel IV. Apart from the discussion

on the performance of the bank's segments, the Committee discussed the performance of treasury, corporate investments and considered IT costs and IT project management.

The Audit Committee has reviewed the half year report and the annual report including the financial statements, as well as the sustainability report.

As part of the review of the annual report, the Audit Committee has discussed the loan impairments, the legal claims and provisions, tax positions and other critical estimations and valuations. In this year, specific attention was given to the top level adjustments for the determination of the loan impairments to estimate the uncertainties in the effect from the Covid-19 pandemic, the measures the bank has taken as well as government measures to address the impact of the pandemic. The Audit Committee also discussed with management the basis for the impairment of the interest in Achmea and goodwill of DLL Nordics. Furthermore, restructuring provisions and impairments of data centers were discussed.

The Audit Committee considered management's report on the internal controls on financial reporting and noted the progress achieved in the controls for loan provisioning and non-personalized accounts.

The Audit Committee has welcomed that the banks has progressed its non-financial and sustainability reporting and supports the ambitions for improving this reporting.

The Audit Committee considered the disclosures in the financial statements and annual report, with special attention for those related to the effect of the Covid-19 pandemic, including impairments, and the bank's gatekeeper role.

Annually, the Audit Committee discusses the Internal Auditor's audit plan and reviews the Internal Audit charter. Furthermore the Audit Committee has evaluated the generally high quality of the internal audit function on the basis of a self-assessment performed. With the support of the quarterly internal audit reports, the Audit Committee discussed the quality of the control environment of the bank, the progress in addressing audit findings and the performance of the internal audit function. In 2020, the Audit Committee has requested Internal Audit to perform a few audits in addition to audits planned.

The Audit Committee approved the updated Compliance charter and the Compliance annual plan and discussed the Compliance function's self assessment as well as Internal audit's evaluation report on this assessment.

Both the internal auditor and the external auditor are present at all Audit Committee meetings and the Audit Committee once a year has a private session with each of the auditors.

The Committee has approved the PwC's audit plan and has extensively discussed the audit reports on the half year report, the annual report, the COREP and FINREP reporting and the non-financial and sustainability information.

Committee on Cooperative Affairs

General Responsibilities and Duties

The Committee on Cooperative Affairs (CCA) advises the Supervisory Board on all matters regarding the bank's cooperative structure, organization, and identity, and will make the preparations for the requisite decisions of the Supervisory Board. These consist of: (i) the assessment of the Managing Board's reports on our cooperative organization and operations, ii) the submission of advice on cooperative affairs to the Managing Board, either upon request or on its own initiative, and iii) advising the Supervisory Board on client-, market- or service-related topics (also in relation to the sustainability ambitions, visions, and strategies pertaining to the sustainability targets formulated by the business units), either at the request of the Managing Board or on its own initiative.

Meetings

During 2020, the CCA convened four times.

Topics

The common thread this year was the cooperative renewal theme. On the business side the impact of Covid-19 was a prominent theme. In addition the Committee was consulted on the Food & Agri strategy and Rabobank's vision on the Food & Agri sector in the Netherlands for 2030. Deep-dive discussions were held on the international activities, sustainability, the private clients business strategy and the opportunities that arise from digitalization, also in relation to the cooperative membership.

Remuneration & HR Committee

General Responsibilities and Duties
The Remuneration & HR Committee (R&HR) prepares the Supervisory Board's decision making on remuneration and general human resource and organizational issues, such as organizational development and transformation, strategic resource planning, performance management planning and evaluation, employee engagement, and other current people issues. In addition, the R&RH Committee considers the consequences of these topics for our risks and risk management, accounting for the long-term interests of our stakeholders and accepted social practice, as well as Rabobank's long-term business, risk appetite, performance, and control environment. The R&HR Committee works with the Risk Committee to evaluate the incentives created by the remuneration system and directly supervises the remuneration of senior management staff who perform control duties.

The R&HR Committee prepares a proposal on the Rabobank Remuneration Policy and assesses the remuneration practice within Rabobank for the highest earning employees based on a group-wide report, which in addition to the fixed and variable remuneration also contains information about the relevant retention, exit and welcome packages within Rabobank. Furthermore, the R&HR Committee prepares a central, independent, internal assessment to review (at least once annually) the general principles governing the remuneration policy and its implementation. We pursue a prudent, restrained, and sustainable remuneration policy.

Information on remuneration in general and on variable remuneration can be found in the Remuneration section of this Annual Report and in the Pillar 3 report.

Meetings
In 2020, the R&HR Committee convened eight times.

Topics
In 2020, the R&HR Committee addressed general topics, such as the HR consequences of Covid-19, developments in Employee Engagement, Strategic Resource Planning, the People Strategy, Organizational Transformation (e.g. Simplify@Scale and 'Banking 3.5'), talent development, educational efforts, health and vitality, culture, policy against harassment and various issues related to compensation. The Committee also spent in-depth time on specific HR themes, such as the Global Reward Policy, diversity and inclusion, the remuneration policy for the Managing Board and talent management.

The R&HR Committee prepared the evaluation of the members of the Managing Board, following the yearly GROW!-cycle and made provision for the proper documentation of the feedback given to them. The Committee advised the Supervisory Board about approval of a limited number of buy outs and sign on bonuses for new hires, and retention arrangements related to the wind down of business units, following the governance as outlined in the Rabobank Remuneration Policy.

In addition, the R&HR Committee discussed the performance targets for the Managing Board and the group targets for Identified Staff (please see the Renumeration section in this Annual Report for an explanation of this term). The Committee carried out preparatory work for the Supervisory Board regarding the total spend on variable remuneration with an underlying risk assessment for Rabobank, and for the individual variable remuneration of employees classified as Identified Staff. Finally, the R&HR Committee discussed the Remuneration section of the annual report with the GMC's Committee on Confidential Matters.

Appointments Committee

General Responsibilities and Duties
The Appointments Committee helps the Supervisory Board prepare for its decision-making in relation to the composition of, and appointments and reappointments to the Supervisory Board, the Managing Board, and higher senior management positions.

Meetings
In 2020, the Appointments Committee convened eight times.

Topics
Among other things, the Appointments Committee advised the Supervisory Board on personnel changes in the Supervisory Board and the Managing Board, based on the respective boards' succession plans and profiles. In 2020, the Appointments Committee specifically advised on changes in the portfolios of the Managing Board, partly in relation to the withdrawal of Jan van Nieuwenhuizen as member of the Managing Board. As part of this process, a general profile of the Managing Board was developed, and the individual role profiles were adjusted. In addition, the Appointments Committee prepared and advised about the re-appointments of Jan Nooitgedagt, Petri Hofsté and Pascal Visée to the Supervisory Board, and about the recruitment of a Supervisory Board member, to fulfill the vacancy that occurred after Leo Degle left the Supervisory Board at the end of his term in September 2020.

The Committee evaluated the suitability of the members of the Managing Board and the Supervisory Board and reported on it according to the regulations. The Appointments Committee discussed the outside interest positions of the member of the Managing Board and the Supervisory Board, as well as any gift and hospitality offered to them. As part of talent management and in the context of searching and assessing potential candidates for the Supervisory and the Managing Board, the Appointments Committee regularly addressed the subject of (gender) diversity.

Additionally, the Appointments Committee discussed the succession planning of the top positions, and discussed about the need for more fact based assessment of talent. The profile of the Supervisory Board has been revised and will be presented to the General Members Council in 2021. The distinction between statutory and non-statutory members of the Managing Board was evaluated, leading to the decision to abolish this distinction. Members of the Appointments Committee had several individual meetings with newly appointed executives. Meetings were also organized with groups of employees: with new executives, with talents, and with representatives of the seven diversity networks within Rabobank.

Ad Hoc Committee Derivatives of the Supervisory Board

General Responsibilities and Duties

The Supervisory Board's Ad Hoc Committee on the "interest rate derivatives recovery program" was formed in 2018 with the objective of gaining an unambiguous understanding of the root causes relating to this file and in order to monitor the program's progress in finalizing the targets. This Ad Hoc Committee ceased to exist in 2020.

Meetings

The Supervisory Board's Ad Hoc Committee on Derivatives met once in the beginning of 2020.

Topics

During the last concluding meeting of the Ad Hoc Committee on Derivatives, the Committee discussed the update and progress of the program. In September, the members of the Committee received the 'evaluation report' of the Uniform Recovery Framework program ('Uniform Herstelkader') for information purposes.

Ad Hoc Committee "Bereikbaarheid" of the Supervisory Board

General Responsibilities and Duties

In the first quarter of 2019, the Supervisory Board decided to establish an Ad Hoc Committee on availability by phone (hereafter Bereikbaarheid) to closely monitor and track progress made with respect to the reported problems and issues related to Bereikbaarheid. The objective of this Committee was to gain an unambiguous understanding of the root causes related to Bereikbaarheid, and to monitor whether the program will meet its improvement targets. The Ad Hoc Committee regularly reported on its findings to the Supervisory Board and the General Members' Council. Because of the progress and improvements made by the Program and the integrated approach taken, the Supervisory Board decided, as proposed by the Chair of the Ad Hoc Committee to dissolve this Ad Hoc Committee in 2020 and bring the responsibility of monitoring and supervision back to the plenary Supervisory Board.

Meetings

The Supervisory Board's Ad Hoc Committee Bereikbaarheid had only two meetings in 2020 with the last meeting taking place on May 29, 2020.

Ad hoc KYC Committee of the Supervisory Board

General Responsibilities and Duties

The Supervisory Board's Ad Hoc KYC Committee was established in Q4 2020 as a consequence of the evaluation conducted by the Supervisory Board. The main tasks and responsibilities of the Ad Hoc KYC Committee are to monitor and signal important developments within the Netherlands KYC domain, to advice on, to deepen and to prepare discussions and decision-making within the plenary Supervisory Board on this important topic. KYC is and will remain top priority for the plenary Supervisory Board. The Managing Board is responsible for the management/ execution of KYC within the bank. The Ad Hoc KYC Committee will regularly report on its findings to the plenary Supervisory Board.

Meetings

The first meeting of the KYC Committee was held on October 13, 2020. Before the end of December, the Committee convened 6 times and will continue to meet on a monthly basis in 2021. In addition, working sessions with subject matter experts will also be scheduled regularly to get a better understanding of CDD/KYC in the working environment.

Overview of the Permanent Education Sessions of the Supervisory Board

- On January 14, 2020, the Supervisory Board members were updated on developments in regulation and tax by senior legal counsel, a professor in Banking Law & Financial Regulation, and the Head of Tax.
- On March 3, 2020, upon the request by the Risk Committee, an education session was organized regarding Operational Risk and Risk Control Framework (RCF).

- On June 17, 2020, an deep dive on the Macro Economic Baseline (June) was held and the Supervisory Board was informed of the scenario based on the lockdown effects due to the COVID-19 crisis.
- On June 25, 2020, at the request of the Audit Committee, the Supervisory Board was informed of the Credit Process and updated on Libor.
- On September 28, 2020, the Supervisory Board attended the Managing Board's educational session on Marketing in a digitized world.
- On October 1, 2020, an overview was given of developments on innovation and the Supervisory Board was educated on the IT architecture.
- On October 30, 2020, at the request of the Audit Committee and the Risk Committee, the Supervisory Board was informed of audit quality indicators, integrated reporting and OneALM+.
- On November 12, 2020, an in-depth overview was given of developments within Rabobank regarding sustainable farming.
- On December 15, 2020, the Supervisory Board attended the Managing Board's educational session on Global CAMS.

Transactions with Conflict of Interest

In 2020 there were no transactions involving a conflict of interest between Rabobank and members of the Supervisory or Managing Boards.

Proposal to the GMC and Conclusion

In accordance with the relevant provisions of the Articles of Association of Rabobank, the Supervisory Board has reviewed Rabobank’s Annual Report 2020 and annual accounts, as well as other relevant, associated information. The Supervisory Board discussed these documents with the Managing Board, the internal auditor and external independent auditor (PwC) and took note of the unqualified external auditor’s report that PwC issued on the annual accounts in 2020. The Supervisory Board advises the GMC to adopt the 2020 annual accounts.

Rounding up: A Word of Appreciation

The Supervisory Board highly appreciates the various opportunities to engage with our clients both in the Netherlands and abroad, during off-site meetings, during visits to local Rabobanks, and while participating in (international) client events. The insights gained contribute to the discussions of the board on strategic as well as regulatory and control issues.

Utrecht, March 4, 2021
Supervisory Board Rabobank

Appendices

Contents

Appendix 1 About this Report

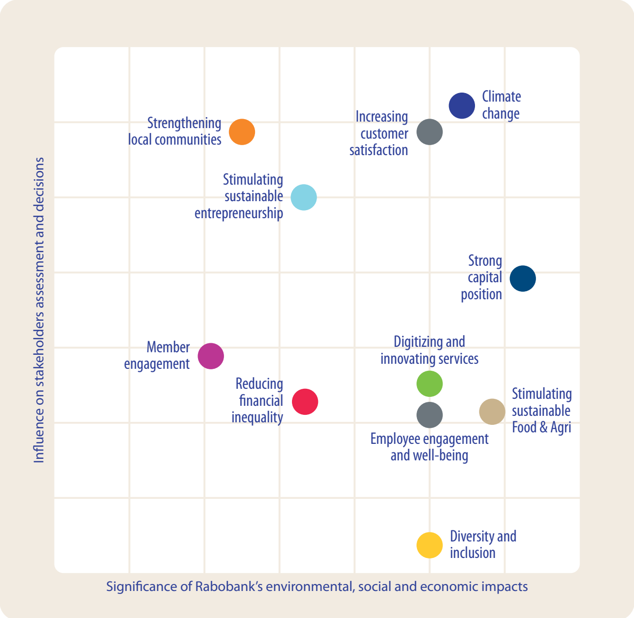
We have prepared the 2020 Rabobank Annual Report in accordance with the legal requirements of section 2:391 of the Dutch civil code, with the Dutch legal guidelines for management board reports, RJ 400 and with the Global Reporting Initiative (GRI) Standards: Core option. This report also meets the requirements of the EU directive. We have presented the GRI Content Index in the download at www.rabobank.com. We have derived most financial information in the report from the financial statements, which have been prepared in accordance with the International Financial Reporting Standards (IFRS). In addition, we have followed specific guidelines for certain performance indicators such as the Greenhouse Gas protocol for CO_2 emissions. We have explained all specific guidelines we used in appendix 2.

Scope and Boundaries

The 2020 Rabobank Annual Report relates to the reporting period of January 1, 2020 to December 31, 2020 and is published on our corporate website on March 11, 2021. The materiality analysis ensures that we cover all material economic, social and environmental topics within our Annual Report. The information Rabobank chooses to disclose concerns our progress on the most relevant value creating material topics for 2020, which we describe in the connection table below. The information we set forth in this report relates to Rabobank Group as a whole; it presents consolidated data for all our entities and divisions unless it is explicitly mentioned in the text that the reporting is limited. All operating information relates to the reporting period except for that concerning our climate footprint, which is based on the period from October 1, 2019 to September 30, 2020. The Annual Report includes the data of newly acquired businesses as of the year following acquisition. We no longer report on divested units for the entire reporting year. The 2020 Rabobank Annual Report aims to provide a complete, concise, and accurate view of our performance. In the report we indicate explicitly whether reporting is limited to a selection of the group divisions within or outside of the Netherlands, or whether we are presenting a less comprehensive view.

Materiality

Determining the topics for this year's report began with an analysis of the long list of 24 topics identified in 2019. We validated the continued relevance of each topic by a thorough process of desk research, peer analysis and a big data analysis, in which we also concluded no other topics needed to be taken into account. The topics were then divided into value creating topics and license to operate topics based on an assessment where Rabobank can add value and which themes are a basis to be able to be able to create added value.
The license to operate topics form the basis for a successful performance of the daily business activities and refer to the acceptance of standard business practices in our sector. These license to operate topics include: good financial performance, ethics and integrity, compliance to rules and regulations, system availability, Increasing transparency, corporate governance and remuneration, stakeholder engagement, employee skills and future fit employees, big data and cybersecurity. Also, the four topics related to climate change were merged together in one topic and the two topics relating to stimulating sustainable entrepreneurship were merged together in one topic. The list of 24 material topics were classified by the annual report steering group in license to operate topics and value-creating topics to distinguish between the topics we really distinguish ourselves from and topics that are a material subject for any other bank. The license to operate topics are also reflected in the report, but we wanted more emphasis on the value-creating material topics. We used a materiality matrix to determine the relevance of value creating topics for both the bank and our stakeholders. As such, the impact of each topic on the bank was determined based on our strategic documents and was validated by the Managing Board. The Materiality Connection Table provides insight into how the value creating topics connects to the four strategic cornerstones and the SDGs. It also includes references to the chapter that describes the management approach and performance per topic. The table below that describes where we describe our disclose more information on the license to operate topics.



License to Operate Topics Reference Table

License to operate topic	*Description*
good financial performance	Reference is made to the section our financial performance in the management report and the financial statements
ethics and integrity	Reference is made to the section excellent customer focus of the management report
compliance to rules and regulations	Reference is made to the section Risk management of the management report
system availability	Reference is made to the section excellent customer focus of the management report
Increasing transparency	Our annual report and our annual review are prime examples on how we want to be transparent. A specific reference can be made to the section excellent customer focus of the management report.
corporate governance and remuneration	Reference is made to the corporate governance section in the annual report
stakeholder engagement	Reference is made to the stakeholder engagement section in Rabobank at a glance, which also references to our ESG Facts & Figures report.
employee skills and future fit employees	Reference is made to the empowered employees section of the management report.
big data and cybersecurity	Reference is made to the section Risk management of the management report

Continuous Stakeholder Dialog

We are committed to a strategic, constructive and proactive dialog with all our stakeholders. We base the list of material reporting topics on specific dialogs that we conducted during 2019 and 2020 with the following stakeholder groups: clients, members, employees, non-governmental organizations, government agencies, politicians and supervisory bodies. Continuous dialog with stakeholders provides us with a clear view of which issues our stakeholders consider important. This knowledge has helped us in determining the material topics described above and constitutes useful strategic input.

Value Creating Topics Connection Table

Strategic Pillar	*SDG*	*Material Topic*	*Ambitions*	*Target 2020*	*Result 2020*	*Target 2021*	*Reference*
Rock-Solid Bank	8	Strong capital position	CET 1 Ratio	15%	16.8%	16.6%	Rock-Solid Bank
Excellent Customer Focus	8	Increasing customer satisfaction	Net Promotor Score	NPS Private Customers 60 NPS Corporate Customers 55	NPS Private Customers 56 NPS Corporate Customers 51	n/a n/a	Excellent Customer Focus
Excellent Customer Focus	8	Digitizing and innovating services	% online active private customers	n/a	65.6%	n/a	Excellent Customer Focus
			% online active corporate customers	n/a	82.2%	n/a	
Excellent Customer Focus	13	Stimulating sustainable entrepreneurship	Total sustainable products & services	Increase 5% sustainable products & services	41%	+10%	Excellent Customer Focus
			Improve weighted average sustainability performance of our clients (Client Photo)	5%	1.6%	5%	
Excellent Customer Focus	13 2	Sustainable Food & Agri	Total sustainable products & services	Increase 5% sustainable products & services	41%	+10%	Excellent Customer Focus
			% Local Rabobank A-level Client Photo	Increase 5%			
Excellent Customer Focus	8	Reducing financial inequality	# piggy banks to indicate steps on the financial ladder to a healthier financial life	1.6 million steps	1.39 million piggy banks	n/a	Excellent Customer Focus
Meaningful Cooperative	17	Strengthening local communities	Community funds and donations	2.2 million[1]	42.5 million	At least 25,000 per local Rabobank	Meaningful Cooperative
Meaningful Cooperative	17	Member engagement	Member engagement score	n/a	52%	n/a	Meaningful Cooperative
Meaningful Cooperative	13	Climate change/ ESG transition	CO_2 reduction of our own operations	-8,107 tonnes	43.8 tonnes	-6,060 tonnes	Meaningful Cooperative
			Improve weighted average sustainability performance of our clients (Client Photo)	5%	1.6%	5%	
Empowered Employees	8	Diversity & Inclusion	Females in Managing Board	40%	44%	33%	Empowered Employees
			Females in first level below the Managing Board	33%	33%	33%	
			Females employed	n/a	49%	n/a	
Empowered Employees	8	Employee engagement & well-being	Employee Engagement Scan	63.7	69	70.8	Empowered Employees
			Absenteeism	4.1%	3.4%	n/a	

1 EUR 25,000 of net profit per local Rabobank

License to Operate Topics Connection Table

Strategic Pillar	SDG	*License to operate topic*	Ambitions	Target 2020	Result 2020	Target 2021	Reference
Rock-Solid bank	8	Good financial performance	ROE	6-7%	2.7	6-7%	Our financial performance
Excellent Customer Focus	8	Ethics and integrity	n/a	n/a	n/a	n/a	Excellent customer focus
Rock-Solid Bank	8	Compliance to rules and regulations	n/a	n/a	n/a	n/a	Risk management
Excellent Customer Focus	8	System availability	Availability of iDEAL Availability mobile banking Availability internet banking	99.88% 99.88% 99.88%	99.9% 99.8% 99.8%	99.88% 99.88% 99.88%	Excellent customer focus
Excellent Customer Focus	8	Increasing transparency	n/a	n/a	n/a	n/a	Our annual report is a prime example on how we want to be transparent. Excellent customer focus.
Rock-Solid bank	8	Corporate governance and remuneration	n/a	n/a	n/a	n/a	Corporate governance section
Meaningful cooperative	8	Stakeholder engagement	n/a	n/a	n/a	n/a	Rabobank at a glance, including references to our ESG Facts & Figures report.
Empowered Employees	8	Employee skills and future fit employees	n/a	n/a	n/a	n/a	Empowered employees
Rock-Solid bank	8	Big data and cybersecurity	n/a	n/a	n/a	n/a	Risk management

Given the focus on the value-creating material topics, we only publish our value creating KPIs. This report does not contain our various internal steering KPIs for the licenses to operate material themes.

Value Creating Topics and Boundaries

The table below provides insights in the material topics. Moreover, it indicates whether our influence is direct or indirect, and shows where our impact is felt.

Value Creating Topics and Boundaries

		Scope and boundary			
Material topic	*Definition*	*Influence by Rabobank activities*	*Service lines*	*Location of impact*	*Management responsibility*
Strong capital position	The development of the capital ratios compared with the targets in the strategic framework.	Direct	All service lines	Value chain	Bas Brouwers
Increasing customer satisfaction	Ensuring that we have satisfied customers is our highest priority. We focus on meeting or surpassing customer expectations at all contact points. This refers both to client encounters and to the accessibility of our services centers (e.g., call centers, virtual assistants, client counters).	Direct	All service lines	Value chain	Kirsten Konst Mariëlle Lichtenberg Berry Marttin
Digitizing and innovating services	Our efforts to ensure that customers have access to reliable, user-friendly, safe and stable banking services, 24/7. This refers to banking applications, and to uptime of payment services like PIN and IDEAL.	Direct	All service lines	Rabobank & value chain	Bart Leurs, Ieko Sevinga
Stimulating sustainable entrepreneurship	Activities Rabobank develops to support and stimulate entrepreneurs. Rabobank's clients face a variety of sustainability risks and issues. As a cooperative bank Rabobank aims to be a facilitator in the process towards a more sustainable world by helping clients to identify and assess ESG opportunities and risks.	Direct	Domestic Retail Banking	Value chain	Kirsten Konst
Sustainable Food & Agri	In order to feed the world's population in a sustainable way, Rabobank focusses on improving Food & Agri value chains. This encompasses a focus on the increasing of food availability, on improving access to food, on promoting healthy food and on increasing stability	Direct & Indirect through business relationships, customers, investments	Domestic Retail Banking, W&R and Leasing	Value chain	Kirsten Konst, Berry Marttin
Reducing financial inequality	This topics concern the activities and policies in place that aim to reduce the economic inequality within society (e.g. debt reduction programs and initiatives that enhance the financial literacy of elderly).	Direct & Indirect through business relationships, customers	Domestic Retail Banking	Value chain	Marielle Lichtenberg
Strengthening local communities	We aim to increase the vitality of local communities, from an economic, social and environmental perspective, both within the Netherlands and abroad.	Direct	All service lines	Value chain	Wiebe Draijer
Member engagement	This topic relates to the relationship with its members, ensuring an engaged and cohesive member base that cast their vote during voting.	Direct	Domestic Retail Banking	Value chain	Wiebe Draijer
Climate Change/ ESG transition	This topic concerns the activities and policies in place that aim to reduce climate change (circular, economy, accelerate energy transition, stimulate sustainable investments)	Direct & Indirect through business relationships, customers, investments	All service lines	Rabobank & value chain	Kirsten Konst Mariëlle Lichtenberg Berry Marttin
Employee engagement and well-being	Rabobank strives to have engaged, committed and motivated employees and makes efforts to promote their physical and psychological well-being.	Direct	All service lines	Rabobank	Janine Vos
Diversity and inclusion	Progression, expansion and internationalization of diversity, equality and inclusion within Rabobank.	Direct	All service lines	Rabobank	Janine Vos

Managing our Value Creating Topics

The value creating topics are relevant to our organization's success. The Value Creating Topics and Boundaries table indicates for each value creating topic, where and how we can influence performance and who has management responsibility. We use specifically formulated indicators to measure our performance. These indicators are part of our general governance cycle. We evaluate them periodically and are published at least once a year. Most indicators are part of the quarterly review, except for customer satisfaction, which is measured by the NPS score, and reviewed annually. We use these periodic reviews to identify and pursue evaluative action, and we disclose the relevant results of our evaluation in our annual report.

Data Collection of Non-Financial Information

The collection of non-financial information is coordinated centrally within Rabobank. Group Reporting is responsible for sustainability data collection. Other non-financial information of Rabobank divisions and local Rabobanks is obtained via our automated central management information system or received from external parties. The coordinator of the respective Group division/ local Rabobank is responsible for collecting and reporting the non-financial information. Finance & Control performs plausibility checks after submission, where-after we take appropriate actions in order to optimize the data quality.

The data concerning our internal business operations is mostly based on our automated central management information system and on invoices from our providers. We use reliable sources and established protocols for conversion factors. The climate footprint is calculated according to the most recent directives of the Greenhouse Gas Protocol (GHG). The associated CO_2 conversion factors originate from, among others, DEFRA and the IEA.

We gather most data on a regular basis in the central management information system, although some information is gathered only once a year as part of the annual reporting process.

Preparation of the Annual Report

The production process of our Annual Report and Interim Report is as follows: the Managing Board installs an Annual Report Steering Group, which appoints an Annual Report Working Group. The following disciplines are represented in the Working Group: Managing Board Secretariat, Finance & Control, HR, Investor Relations & Rating Agencies, Sustainability, Integrated Risk Management, Audit, and Communications and Corporate Affairs. The Annual Report Steering Group, which represent the disciplines Finance & Control and Communication & Corporate Affairs, agrees on the different tasks, roles, and responsibilities relating to the production of the Annual Report and Interim Report. Before any work commences on gathering information and drafting the Annual Report, the chair of the Annual Report Steering Group and the Managing Board decided on the report's structure and key messages. The Working Group transforms these guidelines into drafts, which are subsequently reviewed by a committee of members from the Working Group, the Steering Group, and other key employees. The draft texts of the Annual and Interim reports are discussed twice in the respective meetings of the Managing Board, the Supervisory Board, and its Audit Committee.

Assurance

For more information on PwC assurance, we refer to the Independent Auditor’s Report.

Appendix 2: Methodology & Definitions of Non-Financial Key Figures

Our Commitment

The table below shows a number of Non-Financial Key Figures. Progress on these key figures is measured with information obtained from both inside and outside the organization.

A number of key figures have an absolute target. Others, especially the outcomes of client and employee surveys, are relative targets. The key figures include Rabobank data excluding DLL, BPD and Obvion unless mentioned otherwise.

NPS	
NPS	*The Net Promotor Score indicates the level of client satisfaction*
Methodology/Terminology	The NPS score is the outcome of an online client satisfaction survey that clients in the Netherlands, with a net revenue under EUR 30 million, receive after an advisory service with local Rabobank offices. We measure and report NPS by the widely used methodology in which scores from 0 to 6 are classified as "detractor" scores, 7 or 8 are classified as "passive" and only scores 9 or 10 are classified as "promotors". The result is calculated by the percentage of promotors minus the percentage of detractors, which gives us the NPS.

% Online Active	
% Online Active	*Percentage of customers that logged into the Rabobank Banking App or online banking at least once in the last three months*
Methodology/Terminology	The unit of measurement comprises all individual customers and for Commercial banking all commercial groups that have logged into the Rabobank Banking App or online banking at least once in the last three months. Customers logging into the Rabobank Banking App using TIN code, Touch ID and Face ID are included.

RepTrak	
RepTrak	*RepTrak measures the overall reputation across seven key dimensions, based on customers' perception of esteem, admiration, trust, and overall feeling*
Methodology/Terminology	We measure and report reputation by using the RepTrak monitor, which is a tool from the Reputation Institute. In the reporting period Rabobank participated in the RepTrak Reputation study. This study tracked 23 reputation attributes assigned to seven reputation dimensions that the Reputation Institute has found to be the most effective in getting stakeholders to support a company. Our reputation is measured quarterly through an online survey taken among a representative sample of the general public in the Netherlands. The reported score entails the 12 month rolling average as of the reporting date. RepTrak is the gold standard for reputation measurement. RepTrak's rankings are based on each company's Pulse i.e., the emotional connection consumers have to a brand.

Member Engagement Score	
Member Engagement Score	*The percentage of members classified as proactive, active and informed in relation to the total number of members surveyed*
Methodology/Terminology	Members answer an online survey and are allocated to five categories according to their answers: 1. Proactive members: Members who take part in (or have taken part in) a member council or market team. 2. Active members: Members who occasionally attend a substantive member event or have at some time alerted us to a problem relating to livability in the community 3. Informed members: Members who have a good/reasonable idea of our mission and are aware of the opportunities to undertake activities with our support on social themes in their community. 4. Aware members: Members who are aware of their membership 5. Non-aware members: Members who are not aware of their membership. A specialized external data survey agency has been commissioned to work together in developing the score. The outcome of the survey is weighted in such way that every local Rabobank contributes to the total in a representative way, based on the number of members of the local Rabobank in relation to the total number of members. The methodology of the calculation of the Member Engagement Score has changed in 2020. The score is now based on a rolling average of the two most recent measurements. The reason for changing the methodology is to present a stable member engagement score which is corrected for half yearly fluctuations. The comparative figures have also been adjusted to this new methodology.

Employee Engagement Scan	
Employee Engagement Scan	*Our Managing Board requires management information on how the organization is developing and how employees are feeling and realizing their goals. Monitoring work perception on a regular basis allows us to effectively manage and make adjustments in a timely manner. We have developed the Engagement Scan for this purpose.*
Methodology/Terminology	We measure and report employee engagement through the Engagement Scan. HR has commissioned a specialized external data survey agency to collaborate on developing the scan. The survey consists of 23 questions/statements, supplemented by three optional closed-ended questions provided by employees themselves. The way in which employees respond to these questions describes the extent to which they feel engaged in their work at that particular point in time. We based the score given in this report on the Q4 results. We have not compared the Engagement Scan to external benchmarks.

Gender Diversity	
Gender Diversity	*Diversity is a vital and integral part of our strategic objectives. To enhance career opportunities for women, we offer several internal and external activities. These include sponsorship of talented women by senior executives, cross-mentoring and coaching programs. Our Diversity Board meets each quarter to monitor policy compliance and progress on our targets.*
Methodology/Terminology	We report and measure the number of males and females based upon the headcount as reported from our human resource information management system at the end of the year. With "Gender diversity" we refer to the percentage of women that is present in the Managing Board, in the first level below the Managing Board, that has a Managing Board Member as a manager or is a manager (excluding Business Managers), and the percentage of females employed across the organization in the Netherlands for internal employees only.

Availability of Mobile / Internet Banking	
Availability of Mobile / Internet Banking	*We measure the availability of the Internet and Mobile banking services by dividing the net availability during prime-time by the total minutes in prime-time for the reporting period.*
Methodology/Terminology	By availability we mean that users are able to log on during primetime (daily between 06.00h and 01.00h), they can access information on their balance and on their payment transactions, and that they are able to make payments. We used IT incident reports to measure the system availability of the internet and mobile banking services. We measure availability on all relevant incidents based on the actual number of minutes registered in the monitoring systems. The system availability statistics include all incidents involving a downtime of >3 minutes during prime-time. We determine if the service was fully (100%) or partially (50%) unavailable. This results in the net-unavailability of an incident expressed in minutes. The availability is reported as an average percentage for the whole year.

Availability of iDEAL	
Availability of iDEAL	*We measure the availability of the IDEAL services by dividing the net availability during prime-time by the total minutes in prime-time for the reporting period.*
Methodology/Terminology	Brand owner Currence has set specific availability standards for iDEAL. DNB has included these standards in the agreements it makes with banks on the availability of iDEAL. These agreements distinguish between primetime availability (06:30h-01:00h) and non-primetime availability (01:00h - 06:30h). The primetime availability standard is 99.88%, the non-primetime availability standard is 98.50%. The latter standard is lower since this period is regarded as a maintenance window. Banks are allowed to conduct necessary maintenance during non-primetime in order to safeguard service to customers and in order to comply with changing regulations. We used IT incident reports to measure system availability of the iDEAL services. We have included all availability incidents where Rabobank is the issuing bank lasting >1 minutes in the availability statistics. In measuring the unavailability we used the standard formulas set by the DNB, the availability is reported as an average percentage for the whole year.

Sustainable Products and Services

Sustainable products and services	*We measure and report the total of sustainable finance, sustainable assets under management and assets held in custody, sustainable funding and supervised financial transactions.*
Methodology/Terminology	**Sustainable financing:** We have assessed our total portfolios for the various sustainable finance categories. Because of a lack of data, this is not yet possible for wholesale sustainable loans. We have therefore removed this category from our sustainable finance portfolio. We have also taken the figures from the position at year-end 2019, which was 1,417 million. Sustainable finance exists out of the following categories: • *Mortgages*: This figure consists of the outstanding balances of all residential properties with a provisional or final energy label A or better based on the definition of Calcasa. • *Green loans:* Green loans are loans, provided by the Rabo Groen Bank B.V. that meet the "green" criteria of the RVO (Netherlands Enterprise Agency). On a project basis (loan basis) Rabobank submits the project documentation and the RVO subsequently determines whether a loan meets the criteria. If this is the case, the RVO issues a certificate (with a duration - usually 10 years) and the loan qualifies as a "green" loan for the duration of the certificate. • *Project finance*: Sustainable project finance relate to all renewable energy projects financed in the domain of wind and solar. Closing the-loop projects, like installations using bio-waste streams as an energy resource, are included too. • *Corporate loans NL*: Financing for companies that have a sustainable client photo label A(for more details about client photo see definition client photo). • *DLL Clean tech financing*: Clean tech financing concerns loans to companies that seek financing for solutions that make a positive environmental impact. Examples are: smart grid, water efficient irrigation solutions and wastewater regeneration systems. **Sustainable assets under management and assets held in custody**: Relate to assets that meet our sustainability investment criteria and are classified by Morningstar as "sustainable investment overall". Funds are selected based on (at least one of) three criteria; 1. The use of multiple additional exclusion criteria compared to the exclusions list 2. Best-in-class companies or countries from a sustainability perspective, and 3. Sustainable theme. **Sustainable funding** includes funding products with a sustainability earmark: • *Rabobank Green, Social and Sustainability Bonds*: Green, Social or Sustainability bonds that are issued, and ringfenced and of which the framework is issued under the GBP and associated guiding principles. • *Obvion Green, Social and Sustainability Bonds:* Obvion Green, Social or Sustainability bonds that are issued, and ringfenced and of which the framework is issued under the GBP and associated guiding principles. • *Rabo Green Savings (Rabo Groen Bank B.V.)*: Savings that are used solely to finance (in the form of loans) projects that have a “sustainability label” issued by the RVO. • *Rabo Green Deposits (Rabo Groen Bank B.V.):* Deposits that are used solely to finance (in the form of loans) projects that have a “sustainability label” issued by the RVO. • *Rabo Socially Responsible Deposits*: Funding that solely is allocated to sustainable financing **Transactions Supervised by Rabobank** • These are financial transactions supervised by Rabobank and include Green bonds. For 2020 the syndicated loans and bonds are included into the figures.

Client Photo

Client Photo	*The client photo measures the sustainability performance of our clients.*
Methodology/Terminology	We include a table in the Annual Report that shows the total coverage by a client photo and the percentage of A-level clients.The figures are based on clients with an exposure > EUR 1 million. The percentage of A-level clients are based on the total population with a client photo. The client photo labels are a result of an internal methodology which is based on a number of questions on an individual level regarding sustainability. The label A is the best result possible of the 5 performance level categories (A, B, C, D and D+). The table regarding the Wholesale offices also includes client photos of subsidiaries (but only if the exposure on group level is >EUR 1 million). At our wholesale offices, clients may also be assessed on a subsidiary level when required by local regulation or specific local circumstances. In the Netherlands we always assess client on group level. The improved weighted average sustainability performance of our clients is measured by the improved rating of the client photos Wholesale and Dutch Retail Banks. The average is computed, weighted by the total number of clients per client photo.

Absenteeism

Absenteeism	*Absenteeism is measured in a 12-month rolling period.*
Methodology/Terminology	Absenteeism is measured based on the number of calendar days employees called in sick during a 12-month rolling period, divided by the total number of calendar days employees are employed during that same period taking into account a part-time or full-time employment contract. This concerns all persons who are actively employed in the Netherlands.

CO_2 Reduction	
CO_2 reduction	*By increasing energy efficiency and by reducing and making mobility and other services more sustainable, we aim to further reduce carbon emissions*
Methodology/Terminology	The climate footprint is calculated according to the most recent directives of the Greenhouse Gas Protocol (GHG) and the associated CO_2 conversion factors, originating from, amongst others, DEFRA and the IEA. The operating information for the climate footprint report is based on the period from October 1, 2019 to September 30, 2020. When we say we want to increase energy efficiency, we mean that we are committed to reduce our energy consumption as much as possible, for example by facilitating teleworking in order to reduce employee travel time. Moreover, we are as sustainable as possible in our purchasing policies: we attempt to use renewable raw materials and work with contracts based on circular economic principles wherever we can. The data regarding our internal business operations is mostly based on our automated central management information system and on invoices from our providers. In preparing the footprint, we made estimations, assumptions and extrapolations whenever data was unavailable or incomplete. Although we made these estimates and assumptions, based on the most careful assessment of current circumstances, activities, and available consumption data, the actual results may deviate from these estimates. Our climate footprint consists of CO2 emissions and does not include other emissions (e.g., CH4, N2O and other gasses).

Community Funds and Donations	
Community funds and donations	*We invest part of our annual profit in social initiatives on a not-for-profit basis throughout the Rabobank.*
Methodology/Terminology	We measure and report this key figure by calculating the financial donations made by Rabobank during the reporting period. The main component of the total amount is the amount of donations made by our local Rabobanks to local initiatives. We measure and monitor manpower and knowledge invested in local communities as well, but these are not included in the KPI report. Terminology: Cooperative dividend - the part of the profit reinvested back into the community whereby investments consist of granted donations.

Gender Pay Gap	
Gender Pay Gap	*Pay equality is measured as the difference in average compensation for men and women corrected for a number of characteristics*
Methodology/Terminology	Pay equality is measured based on the adjusted and the unadjusted pay gap. The adjusted pay gap is defined as the difference between average compensation between men and women, divided by the average compensation of men. Where compensation of both groups is corrected for contract hours, job profile, salary scale, (sub)domain, age, months in service, months in salary scale, (in)direct span, performance and perspective rating using the Oaxaca Blinder Decomposition. The unadjusted pay gap is defined similarly, where compensation is only corrected for contract hours. This concerns employees in the Netherlands who are part of the CLA population excluding Obvion, DLL, BPD expats and employees in scales 1-3. Variable pay is not taken into account as part of the compensation. The reported figures represent November 2020.

Training Expenses	
Training expenses	*The training expenses per FTE*
Methodology/Terminology	The training expenses are based on the financial figures in the trial balance divided by the average FTE for the reporting year.

Piggy Banks	
Piggy Banks	*The number of piggy banks in the Rabo App*
Methodology/terminology	We measure the piggy banks as a number of total piggy banks in the Rabo App independent of the amount deposited.

Consolidated Financial Statements

Contents

Consolidated Statement of Financial Position

Consolidated Statement of Financial Position

Amounts in millions of euros	Note	December 31 2020	December 31 2019
Assets			
Cash and cash equivalents	6	108,466	63,086
Loans and advances to credit institutions	7	21,383	29,297
Financial assets held for trading	8	2,536	1,870
Financial assets designated at fair value	9	1	1
Financial assets mandatorily at fair value	10	2,075	1,905
Derivatives	11	29,638	23,584
Loans and advances to customers	12	436,182	440,607
Financial assets at fair value through other comprehensive income	13	15,495	13,505
Investments in associates and joint ventures	14	2,183	2,308
Goodwill and other intangible assets	15	740	829
Property and equipment	16	4,565	5,088
Investment properties	17	450	371
Current tax assets		136	169
Deferred tax assets	27	849	933
Other assets	18	7,507	6,610
Non-current assets held for sale	19	52	435
Total assets		**632,258**	**590,598**
Liabilities			
Deposits from credit institutions	20	61,162	25,244
Deposits from customers	21	361,028	338,536
Debt securities in issue	22	113,521	130,403
Financial liabilities held for trading	23	998	399
Financial liabilities designated at fair value	24	5,175	6,328
Derivatives	11	28,402	24,074
Other liabilities	25	6,647	6,835
Provisions	26	619	783
Current tax liabilities		158	228
Deferred tax liabilities	27	430	540
Subordinated liabilities	29	13,486	15,790
Liabilities held for sale		-	91
Total liabilities		**591,626**	**549,251**
Equity			
Reserves and retained earnings	31	27,852	28,157
Equity instruments issued by Rabobank			
- Rabobank Certificates	32	7,822	7,449
- Capital Securities	33	4,482	5,264
		12,304	**12,713**
Non-controlling interests	34	476	477
Total equity		**40,632**	**41,347**
Total equity and liabilities		**632,258**	**590,598**

Consolidated Statement of Income

Consolidated Statement of Income			
		For the year ended December 31	
Amounts in millions of euros	*Note*	*2020*	*2019*
Interest income from financial assets using the effective interest method	36	13,362	15,870
Other interest income	36	414	259
Interest expense	36	5,592	7,674
Net interest income	**36**	**8,184**	**8,455**
Fee and commission income	37	2,079	2,179
Fee and commission expense	37	299	321
Net fee and commission income	**37**	**1,780**	**1,858**
Income from other operating activities	38	2,294	2,154
Expenses from other operating activities	38	1,814	1,684
Net income from other operating activities	**38**	**480**	**470**
Income from investments in associates and joint ventures	39	188	192
Gains/ (losses) arising from the derecognition of financial assets measured at amortised cost		4	73
Gains/ (losses) on financial assets and liabilities at fair value through profit or loss	40	(200)	156
Gains/ (losses) on financial assets at fair value through other comprehensive income		126	27
Other income	41	220	525
Income		**10,782**	**11,756**
Staff costs	42	4,684	4,821
Other administrative expenses	43	1,463	1,715
Depreciation and amortization	44	395	420
Operating expenses		**6,542**	**6,956**
Impairment on goodwill and investments in associates	14, 15	283	300
Impairment charges on financial assets	45	1,913	975
Regulatory levies	46	548	484
Operating profit before tax		**1,496**	**3,041**
Income tax	47	400	838
Net profit for the year		**1,096**	**2,203**
Of which attributed to Rabobank		822	1,295
Of which attributed to Rabobank Certificates		-	484
Of which attributed to Capital Securities issued by Rabobank		233	355
Of which attributed to Capital Securities issued by subsidiaries		-	4
Of which attributed to Trust Preferred Securities IV		-	19
Of which attributed to other non-controlling interests	34	41	46
Net profit for the year		**1,096**	**2,203**

Consolidated Statement of Comprehensive Income

Consolidated Statement of Comprehensive Income

Amounts in millions of euros	*Note*	*2020*	*2019*
Net profit for the year		**1,096**	**2,203**
Other comprehensive income transferred to profit or loss if specific conditions are met, net of tax:			
Exchange differences on translation of foreign operations	31	(691)	84
Increase/ (decrease) in the fair value of debt instruments at fair value through other comprehensive income	31	44	(1)
Costs of hedging	31	(10)	16
Cash flow hedges	31	(21)	14
Share of other comprehensive income of associates and joint ventures	31	(23)	99
Other	31	26	5
Other comprehensive income not to be transferred to profit or loss, net of tax:			
Remeasurements of post-employee benefit obligations	31	(10)	(20)
Increase/ (decrease) in the fair value of equity instruments at fair value through other comprehensive income	31	(21)	31
Share of other comprehensive income of associates and joint ventures	31	9	(5)
Decrease/ (increase) in the fair value due to own credit risk on financial liabilities designated at fair value	31	34	(112)
Other		-	(62)
Other comprehensive income		**(663)**	**49**
Total comprehensive income		**433**	**2,252**
Of which attributed to Rabobank		193	1,340
Of which attributed to Rabobank Certificates		-	484
Of which attributed to Capital Securities issued by Rabobank		233	355
Of which attributed to Capital Securities issued by subsidiaries		-	4
Of which attributed to Trust Preferred Securities IV		-	19
Of which attributed to other non-controlling interests		7	50
Total comprehensive income		**433**	**2,252**

Consolidated Statement of Changes in Equity

Consolidated Statement of Changes in Equity

				Non-controlling interests		
Amounts in millions of euros	*Note*	*Reserves and retained earnings*	*Equity instruments issued by Rabobank*	*Equity instruments issued by subsidiaries*	*Other*	*Total*
Balance on January 1, 2020		**28,157**	**12,713**	**-**	**477**	**41,347**
Net profit for the year		1,055	-	-	41	1,096
Other comprehensive income	31	(629)	-	-	(34)	(663)
Total comprehensive income		**426**	**-**	**-**	**7**	**433**
Payments on Capital Securities issued by Rabobank		(234)	-	-	-	(234)
Redemption of Capital Securities	33	(120)	(1,760)	-	-	(1,880)
Issue of Capital Securities	33	-	1,000	-	-	1,000
Cost of issue of Capital Securities		-	(5)	-	-	(5)
Distribution in the form of Rabobank Certificates	33	(376)	376	-	-	-
Other		(1)	(20)	-	(8)	(29)
Balance on December 31, 2020		**27,852**	**12,304**	**-**	**476**	**40,632**
Balance on January 1, 2019		**27,264**	**13,938**	**553**	**481**	**42,236**
Net profit for the year		2,157	-	-	46	2,203
Other comprehensive income	31	45	-	-	4	49
Total comprehensive income		**2,202**	**-**	**-**	**50**	**2,252**
Payments on Rabobank Certificates		(484)	-	-	-	(484)
Payments on Trust Preferred Securities IV		(19)	-	-	-	(19)
Payments on Capital Securities issued by Rabobank		(396)	-	-	-	(396)
Payments on Capital Securities issued by subsidiaries		(5)	-	-	-	(5)
Redemption of Capital Securities	33	(493)	(2,502)	(164)	-	(3,159)
Redemption of Trust Preferred Securities IV	33	-	-	(383)	-	(383)
Issue of Capital Securities	33	-	1,250	-	-	1,250
Cost of issue of Capital Securities		-	(7)	-	-	(7)
Disposal of financial assets at fair value through other comprehensive income	33	71	-	-	-	71
Other		17	34	(6)	(54)	(9)
Balance on December 31, 2019		**28,157**	**12,713**	**-**	**477**	**41,347**

Consolidated Statement of Cash Flows

Consolidated Statement of Cash Flows			
		For the year ended December 31	
Amounts in millions of euros	*Note*	*2020*	*2019*
Cash flows from operating activities			
Operating profit before tax		1,496	3,041
Adjusted for:			
Non-cash items recognised in operating profit before tax			
Depreciation and amortization	44	395	420
Depreciation of operating lease assets and investment properties	16,17	735	699
Impairment charges on financial assets	45	1,913	975
(Reversal) Impairment losses on property and equipment	16	122	(22)
(Reversal) Impairment losses on other intangible assets	15	10	25
Impairment on goodwill and investments in associates	14, 15	283	300
Gains/ (losses) on disposal of property and equipment		20	19
Income from investments in associates and joint ventures	39	(188)	(192)
Income from disposal of subsidiaries		(19)	(373)
Gains/ (losses) on financial assets and liabilities at fair value through profit or loss	40	200	(156)
Gains/ (losses) on derecognition of debt instruments at fair value through other comprehensive income	41	(126)	(27)
Gains/ (losses) arising from the derecognition of financial assets measured at amortised cost		(4)	(73)
Provisions	26	114	163
Capitalised costs self-developed software and other assets		(106)	(88)
Loans and advances to and deposits from credit institutions	7, 20, 45	43,831	(10,591)
Financial assets held for trading	8, 40	(866)	1,162
Derivatives	11	(6,054)	(923)
Financial assets and liabilities designated at fair value	9, 24	(1,153)	(256)
Financial assets mandatorily at fair value	10	(170)	230
Loans and advances to customers	12, 45	2,515	(4,918)
Acquisition of financial assets at fair value through other comprehensive income	13	(13,079)	(5,848)
Proceeds from the sale and repayment of financial assets at fair value through other comprehensive income	13	10,654	10,928
Acquisition of operational lease assets	16	(1,071)	(1,286)
Proceeds from the disposal of operational lease assets	16	353	274
Dividends received from associates and financial assets	14	58	77
Derivatives	11	4,328	147
Financial liabilities held for trading	23	599	(1)
Deposits from customers	21	22,492	1,126
Other liabilities	25	(188)	493
Income tax paid		(329)	(289)
Other changes		(4,126)	3,321
Net cash flow from/ (used in) operating activities		**62,639**	**(1,643)**
Cash flows from investing activities			
Acquisition of investments in associates	14	(43)	(90)

		For the year ended December 31	
Amounts in millions of euros	*Note*	*2020*	*2019*
Proceeds from disposal of investments in associates	14	31	71
Proceeds from disposal of subsidiaries net of cash and cash equivalents		-	(996)
Acquisition of property, equipment and investment properties	16, 17	129	19
Proceeds from the disposal of property, equipment and investment properties	16, 17	(20)	(35)
Net cash flow from/ (used in) investing activities		**97**	**(1,031)**
Cash flows from financing activities			
Proceeds from debt securities in issue	22, 35	29,913	43,318
Redemption of debt securities in issue	22, 35	(43,432)	(46,825)
Proceeds from the issue of subordinated liabilities	35	-	1
Redemption of subordinated liabilities	35	(1,511)	(1,000)
Purchase of Rabobank Certificates	32	(1,267)	(989)
Sale of Rabobank Certificates	32	1,264	993
Issue of Capital Securities (including cost of issue)		995	1,243
Payments on Rabobank Certificates, Trust Preferred Securities IV and Capital Securities		(234)	(904)
Payments on Senior Contingent Notes		(77)	(83)
Redemption of Capital Securities	33	(1,880)	(3,159)
Redemption of Trust Preferred Securities IV		-	(383)
Net cash flow from/ (used in) financing activities		**(16,229)**	**(7,788)**
Net change in cash and cash equivalents		**46,507**	**(10,462)**
Cash and cash equivalents at the beginning of the year		63,086	73,335
Exchange rate differences on cash and cash equivalents		(1,127)	213
Cash and cash equivalents at the end of the year		108,466	63,086
The cash flows from interest are included in the net cash flow from operating activities			
Interest received		13,511	15,524
Interest paid		(5,492)	(6,834)

Notes to the Consolidated Financial Statements

1. Corporate Information

Rabobank is an international financial services provider operating on the basis of cooperative principles. Our focus is on delivering all-finance services in the Netherlands and on serving our Food & Agri customers internationally. We create value with our strategy and the products and services we offer customers in Retail Banking, Wholesale Banking, Rural Banking, Private Banking, Vendor Finance, Leasing and Real Estate. Rabobank serves approximately 9.6 million clients around the world. Rabobank's Consolidated Financial Statements include the financial information of Coöperatieve Rabobank U.A. and its consolidated subsidiaries in the Netherlands and abroad. Coöperatieve Rabobank U.A. has its registered office in Amsterdam and is registered under Chamber of Commerce number 30046259.

2. Accounting Policies

The primary accounting policies used in preparing these consolidated financial statements are set out below.

2.1 Basis of Preparation

The Consolidated Financial Statements of Rabobank have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (E.U.) and the applicable articles of Part 9 of Book 2 of the Dutch Civil Code. The consolidated financial statements have been prepared on the basis of the accounting policies set out in this section.

New and Amended Standards issued by the International Accounting Standards Board (IASB) and adopted by the European Union which apply in the Current Financial Year

Interest Rate Benchmark Reform Phase 1 (Amendments to IFRS 9, IAS 39 and IFRS 7)
These amendments modify specific hedge accounting requirements, so that entities can apply those hedge accounting requirements assuming the interest rate benchmark is not altered as a result of the interest rate benchmark reform. The amendments are applicable as of January 1, 2020 and address the uncertainty in the period before the actual interest rate benchmark reform takes place. The hedging relationship is affected by interest rate benchmark reform only if the reform gives rise to uncertainties about:

(a) the interest rate benchmark (contractually or non-contractually specified) designated as a hedged risk; and/or

(b) the timing or the amount of interest rate benchmark-based cash flows of the hedged item or of the hedging instrument.

Rabobank has investigated that there is (currently) no uncertainty regarding the use of LIBOR's designated in our hedge accounting relationships (mainly USD and GBP), neither in the designated hedged risk nor in the timing of the benchmark-based cash flows in the hedged item and or hedging instrument. The LIBOR rate remains liquid, is and remains separately identifiable and the cash flows are not altered. We are of the opinion that the uncertainty only arises when there is a liquidity switch point and/or when there is a trigger/ cessation event. As these events did not occur before 31 December 2020, there is no impact on the 2020 financial statements and we did not need to use the relief offered by the Phase 1 amendments. We note that the cash flow hedge relationship in our IFRS 9 currency basis solution is a fixed foreign currency fixed Euro hedge (not IBOR-related). Therefore, the amendment is not applicable for Rabobank's cash flow hedge-accounting.

Amendment to IFRS 16: Leases Covid 19-Related Rent Concessions
In May 2020, the IASB issued *Covid 19-Related Rent Concessions*, which amended IFRS 16 *Leases*. The amendments permit lessees, as a practical expedient, not to assess whether particular rent concessions occurring as a direct consequence of the Covid 19 pandemic are lease modifications and instead to account for those rent concessions as if they are not lease modifications. The amendment does not affect lessors. As a lessee, Rabobank has not obtained any lease concessions due to Covid-19. As such, this amendment does not affect profit or equity.

Other Amendments to IFRS
Minor amendments have been made to IFRS 3, IAS 1, and IAS 8, and to References to the Conceptual Framework in IFRS Standards. The implementation of these amendments does not affect profit or equity.

New and Amended Standards issued by the International Accounting Standards Board (IASB) and adopted by the European Union which do not yet apply in the Current Financial Year

Interest Rate Benchmark Reform Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)
In August 2020, the IASB issued amendments that complement those issued in 2019 (Phase 1) and focus on the effects of the interest rate benchmark reform on a company's financial statements that arise when, for example, an interest rate benchmark used to calculate interest in a financial asset is replaced with an alternative benchmark rate. Phase 2 amendments address issues that might affect financial reporting during the reform of an interest rate benchmark, including the effects of changes to contractual cash flows or hedging relationships. In Phase 2, the IASB amended requirements in IFRS 9 Financial instruments, IAS 39 Financial instruments: Recognition and Measurement, IFRS 7 Financial instruments: Disclosures, IFRS 4 Insurance Contracts and IFRS 16 Lease relating to i) changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities ii) hedge accounting and iii) disclosures. These Phase 2 amendments apply only to changes required by the interest rate benchmark reform to financial instruments and hedging relationships. The amendments are effective for annual periods beginning on or after January 1, 2021 with a possibility of earlier application. Rabobank did not early adopt these amendments and does not expect the implementation of these amendments to significantly affect profit or equity since the relief intends to prevent the effect of changes in contractual cash flows of financial assets, financial

liabilities, lease liabilities, or hedging relationship as a result of the benchmark rate replacement to have an impact on profit or equity.

Amendments to IFRS 4 Insurance Contracts
Amendments have been made to IFRS 4 regarding the deferral of IFRS 9. The amendments to IFRS 4 permit entities that predominantly undertake insurance activities the option to defer the effective date of IFRS 9 until January 1, 2023. The effect of such a deferral is that the entities concerned may continue to report under IAS 39 *Financial Instruments*: Recognition and Measurement.

IAS 28 Investments in Associates and Joint Ventures requires an entity to apply uniform accounting policies when using the equity method. Nevertheless, for annual periods beginning before January 1, 2023, an entity is permitted, but not required, to retain the relevant accounting policies applied by the associate or joint venture as follows: (a) the entity applies IFRS 9 but the associate or joint venture applies the temporary exemption from IFRS 9; or (b) the entity applies the temporary exemption from IFRS 9 but the associate or joint venture applies IFRS 9. These amendments are effective for annual periods beginning on or after January 1, 2021.

Rabobank applies IFRS 9 as of January 1, 2018. Achmea BV, an associate of Rabobank, that undertakes insurance activities has chosen to use the option to defer the effective date of IFRS 9 and therefore continues to apply IAS 39. Rabobank uses the temporary exemption to not apply IFRS 9 when measuring Achmea BV according to the equity method under IAS 28.

New Standards issued by the International Accounting Standards Board (IASB) but not yet endorsed by the European Union

IFRS 17 Insurance Contracts
In May 2017, the IASB issued IFRS 17 *Insurance Contracts* with an effective date of annual periods beginning on or after January 1, 2023. IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The objective of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information provides a basis for users of financial statements to assess the effect that insurance contracts have on an entity's financial position, financial performance and cash flows. The standard will affect Rabobank's associate, Achmea. Rabobank is currently assessing the impact on its own financial statements.

Other Amendments to IFRS
Minor amendments have been made to IAS 1 which will be effective for annual periods beginning on or after January 1, 2023. The amendments relate to the classification of liabilities as current or non-current. Amendments have also been made to IFRS 3, IAS 16, IAS 37 and the Annual Improvements 2018-2020. Although these new requirements are currently being analyzed and their impact is not yet known, Rabobank does not expect the implementation of these amendments to affect profit or equity.

Changes in Presentation

In preparing the 2020 financial statements, Rabobank made the following changes in presentation:

- Expenses related to payment services have been reclassified from "Other administrative expenses" to "Fee and commission expense" to align with the supervisory financial reporting. The comparative figures were reclassified for an amount of EUR 159 million on December 31, 2019.
- Monetary instruments of central banks that Rabobank actively employs have been reclassified from "Deposits from Customers" to "Deposits from Credit Institutions" to better reflect the purpose and use of these instruments. Other deposits from central banks will remain presented as deposits from customers. The comparative figures in the Consolidated Statement of Financial Position and the Consolidated Statement of Cash Flows were reclassified for an amount of EUR 4 billion on December 31, 2019.

Going Concern

The Managing Board considers it appropriate to adopt the going concern basis of accounting in preparing these financial statements based on a forecast analysis which supports the going concern assumption.

Judgments and Estimates

In preparing the consolidated financial statements management applied judgment with respect to estimates and assumptions that affect the amounts reported for assets and liabilities, the reporting of contingent assets and liabilities on the date of the consolidated financial statements, and the amounts reported for income and expenses during the reporting period. The accounting principles listed below require critical estimates that are based on assessments and assumptions. Although management estimates are based on the most careful assessment of current circumstances and activities on the basis of available financial data and information, the actual results may deviate from these estimates.

Accounting Implications of the COVID-19 Pandemic

General
The COVID-19 pandemic affected Rabobank's loan portfolio in 2020. The lockdown measures to contain the virus taken by governments across the world resulted in lower economic activity in Rabobank's key market areas. The loan exposure was negatively affected in terms of credit quality, which led to increased inflow in Stage 2. Rabobank expects that these higher Stage 2 exposures may result in more defaults in the near future and will lead to higher Stage 3 exposures.

Recommendations ECB, EBA, and ESMA
Rabobank adhered to the view of the EBA that the application of public or private moratoria aimed at addressing the adverse impact of the COVID-19 pandemic should not in itself be deemed an automatic trigger to conclude that a significant increase in credit risk has occurred. Rabobank also applied the ECB, EBA, and ESMA recommendations regarding the identification and classification of non-performing loans. Loans can be renegotiated without diminishing the financial position of the lender. This means that the net present value of cash flows of the loan remains the same after modification. In this case, if the obligor remains likely to meet its obligations under the renegotiated contract, there is no need to classify the exposure as defaulted.

Rabobank's Relief Measures
Rabobank provided a range of relief measures to support clients negatively impacted by COVID-19 in the Netherlands and around the world, in addition to government measures in the various countries where Rabobank operates.

Eligible General Payment Moratoria
The Dutch Banking Association (NVB) published two formalized (private) general payment moratoria on its website for business customers.

- A private moratorium for business customers with an exposure under EUR 2,5 million.

- A private moratorium for business customers with an exposure over EUR 2,5 million and under EUR 50 million.

Rabobank applied these two general payment moratoria to allow for the postponement of payments on loans and credit facilities originated before March 15, 2020. The suspensions were available to all business customers headquarted in the Netherlands who had had no payment difficulties before the COVID-19 crisis. The payment moratoria were granted without an ex ante client-specific creditworthiness assessment and without an automatic classification as forborne. The granted payment moratoria in themselves are not considered a significant increase in credit risk that would lead to Stage 2 migration. Almost all of these customers have been subject to client-specific assessment during the remainder of 2020. The priority in the review-calendar was amongst others based on the severity of the COVID-19 impact for sectors our clients operate in.

Rabobank offered the following options to its business customers under the aforementioned NVB moratoria:

- A general payment moratorium on repayment of principal for a maximum of six months with exposures up to EUR 50 million; and

- Payment holidays for lease payments (where Rabobank acts as lessor) for which the resulting net present value change is less than EUR 100 for retail business and less than EUR 500 for larger exposures (> EUR 1 million).

The eligible general payment moratoria were granted until 30 September 2020. In some countries where Rabobank operates a public moratorium was installed by the government.

Postponement of Principal and/ or Interest Not Qualifying as an Eligible General Payment Moratorium
Rabobank also offered relief measures that did not fall under an eligible general payment moratorium but which allowed clients to temporarily postpone principal repayments and/or interest payments both in the Netherlands and abroad. These measures includes postponement of mortgage payments offered to private individuals. Two elements are important in considering the impact of these other postponement measures on credit risk classification

- The length of the period during which payments are postponed, and
- The occurrence of a material economic loss for Rabobank that impacts the net present value (NPV) of the credit obligation.

Based on this, Rabobank distinguished three types of Non-Eligible General Payment Moratoria postponement measures:

- Without a material NPV effect (< EUR 100 for retail and < EUR 500 for larger exposures) and a duration of a maximum of 3 months. This measure did not lead to a significant increase in credit risk or to another credit risk classification if there were no other indications of financial difficulty.
- Without a material NPV effect and a duration of over 3 months. For these measures a client-specific assessment was performed to determine the appropriate credit risk classification.

- With a material NPV effect (any duration). This measure was considered to be a sign of possible financial difficulty on the part of the client and is considered a forbearance measure and, as a minimum, a stage 2 trigger.

Additional (Liquidity) Financing
Rabobank also offered financing (new loans) to clients in need of additional liquidity due to the COVID-19 crisis. These loans were granted with or without a government guarantee. An example of additional financing with a Dutch government guarantee is the BKMB-C facility. Government guarantees issued as a credit risk mitigating measure for Rabobank did not influence client quality measurements such as PD. Business loans that were issued with a government guarantee are considered unfunded credit protection, which is a safeguard that is taken into account in loss estimates such as LGD and consequently the IFRS 9-ECL. For all non-government guaranteed additional financing requests, a client-specific assessment was performed.

IFRS 9 Impairment Allowances: Forward-Looking Information

Forward-Looking Information
The COVID-19 pandemic had an upward effect on IFRS 9 Stage 1 and 2 impairment allowances. Please refer to Paragraph 4.3.3 "Credit Risk Exposure and Credit Quality" and Paragraph 4.3.4 "Impairment Allowances on Financial Assets and Credit Related Contingent liabilities", for an overview of all exposures and impairment allowances per IFRS 9 stage. During 2021 after a successful vaccination campaign, government financial support packages are expected to come to an end. Rabobank foresees that in that period more defaults will occur (postponed defaults). This base-case scenario is considered the most likely at a 70% likelihood, compared to 15% likelihood for both the downside and the upside scenarios.

Baseline Scenario: General
At the start of 2020 the COVID-19 pandemic was considered just a downside risk to global economic growth, but it quickly developed into an event that has dramatically changed the growth forecasts around the globe and resulted in a global recession in 2020. The subsequent higher growth figures in 2021 reflect a (partial) bounce-back.

Baseline Scenario for Rabobank's Most Important Market: The Netherlands
The Netherlands has several advantages when it comes to being accustomed to working from home and shopping online before the COVID-19 pandemic. This preparedness has helped cushion the shock to economic activity in the lockdown in the second and the fourth quarter of 2020. Just like its counterpart in Germany, the Dutch government can afford a sizeable fiscal and financial effort and has delivered this so far. The impact of the COVID-19 crisis in the Netherlands has been milder than in most other countries. Further information on the macro-economic scenarios and forward-looking information in the Netherlands can be found in paragraph 4.3.6 "Judgments and Estimates on Model Based Impairment Allowances on Financial Assets".

Plus and Minus Scenario
We used a statistical simulation method from the National Institute Global Econometric Model (NiGEM) to generate our plus and minus scenarios. The procedure for the formulation involves two steps:

1. Application of the stochastic function of NiGEM to run 1000 scenarios starting in the first quarter where the plus and minus scenarios may differ from the baseline and ending in the final quarter of the RaboResearch delivery. NiGEM uses historical residuals (randomly chosen) from the model equations to give shocks during the forecast period (Monte Carlo simulation). The result is the distribution of macroeconomic outcomes based on the historical variance of the world trade loss.
2. Look up the two scenarios which represent the 15% upper scenarios and the 15% lower scenarios of the distribution.

Top Level Adjustments
The unusual circumstances due to the COVID-19 pandemic have led to model outcomes that required expert judgement and adjustments. In Europe the governments took measures to contain the COVID-19 virus. At the end of 2020, the British COVID-19 variant made the Dutch government decide to expand the lockdown measures. The national governments in Europe gave generous liquidity support to compensate for the effects of the lockdown measures. Also, in the Netherlands support measures were taken by government to support affected industries such as Food services, Flowers, Leisure & entertainment, Non-food retail, Transport and the Energy business, and also for private individuals. This support delayed to a certain extent the direct financial impact of the lockdown measures for most of our business clients. As a result we have seen very low bankruptcies in the Netherlands. For this reason, management has judged that for the business loans in Europe the IFRS 9 ECL model outcome did not appropriately reflect the increase in expected credit losses. A COVID-19 management adjustment of EUR 594 million is defined using the IFRS 9 ECL model with altered MES model inputs, to compensate for the government supports.

Management considers a significant increase in credit risk for business loans exposures in certain sectors. The severity of the sector impact depends on the length of lockdowns, the stringency of measures (e.g. around mobility) and restrictions dictating the path of recovery, potential structural changes to the business, and the benefits resulting from government measures to support businesses. All sectors worldwide (over 30) have been analysed on the impact of COVID-19 to determine the relative strength and outlook of sub sectors within the broad sector grouping. The outcome of the exercise has been to identify vulnerable sectors. Vulnerable sector exposures are considered to have a significant increase in credit risk and are placed in stage 2 (recognising a lifetime expected credit loss). 4.3% of F&A sectors and 9.8 % of non-F&A sectors are classified as vulnerable. This is less than 4% of the total loans to private sector clients. The Stage 2 migration leads to an additional COVID-19 management adjustment of EUR 87 million.

Next to the COVID-19 management adjustments Rabobank applied two significant other top level adjustments. One relates to IFRS-9 model backtest results (addition of EUR 125 million). The other relates to lower expected receipts from foreclosures due to new legislation (Wet Homologatie Onderhands Akkoord) and calibration of parameters based on recent backtesting (addition of EUR 149 million).

Impairment Allowances on Financial Assets

Rabobank applies the three-stage expected credit loss impairment models for measuring and recognizing expected credit losses which involve a significant degree of management judgement. Rabobank uses estimates and management judgment to determine the expected credit losses for the model-based impairment allowances and to measure individually assessed financial assets. Information regarding the model based impairment allowances is included in Section 4.3.6 "Judgements and estimates on Model Based Impairment Allowances on Financial Assets". For credit-impaired financial assets that are assessed on an individual basis, a discounted cash flow calculation is performed. In many cases, judgment is required for the estimation of the expected future cash flows and the weighting of the three scenarios.

Classification and measurement of TLTRO-III

Rabobank participates in the third series of the ECB's Targeted Longer-Term Refinancing Operations (TLTRO-III). According to the terms, interest rates in these operations are the average interest rate on the main refinancing operations minus an interest bonus of 50 basis points during the period from 24 June 2020 to 23 June 2021, and the average interest rate on the main refinancing operations during the remainder of the life of the respective TLTRO III transaction. Lower interest levels will apply if Rabobank would achieve some predefined lending benchmarks. Interest will be settled in arrears on the maturity of each TLTRO III operation or on early repayment.

Rabobank includes the interest bonus of minus 50 basis points in the estimated cash flows for NPV measurement and considers the whole TLTRO-III interest rate as a floating rate in scope of IFRS 9.B5.4.5. Rabobank did not include the additional interest bonus of 50 basis points for the period from 24 June 2020 to 23 June 2021 as there is uncertainty whether the threshold will be reached due to a decreasing trend in the net benchmark lending over the last couple of months together with strong competition and economic slowdown in Q1 2021. This threshold should be reached by the end of March 2021 in order to qualify for the additional interest bonus. The TLTRO-III funding is initially recognised at fair value and is subsequently classified as financial liabilities at amortised cost and presented as 'Deposits from credit institutions'. If Rabobank would achieve the benchmark lending positions the estimates of payments or receipts will be revised. This revision will adjust the carrying amount of the TLTRO-III to reflect actual and revised estimated cash flows. Rabobank will then recalculate the carrying amount by computing the present value of the estimated future cash flows at the original effective interest rate, with value adjustments recognised in the income statement. The carrying amount of the TLTRO-III funding per 31 December 2020 is EUR 40 billion. The interest income on the TLTRO-III for 2020 is EUR 66 million.

Fair Value of Financial Assets and Liabilities

Information regarding the determination of the fair value of financial assets and liabilities is included in Section 4.9 "Fair Value of Financial Assets and Liabilities" and Section 11 "Derivatives".

Impairment of Goodwill, Other Intangible Assets and Investments in Associates and Joint Ventures

The other intangible assets and the investments in associates and joint ventures are tested for impairment when specific triggers are identified, goodwill is tested at least once a year. When the recoverable value is lower than the carrying amount, an impairment loss is recognised. Determining the recoverable amount in an impairment assessment of these assets requires estimates based on quoted market prices, prices of comparable businesses, present value, or other valuation techniques, or a combination thereof, which necessitate management to make subjective judgments and assumptions. Because these estimates and assumptions could result in significant differences to the amounts reported if the underlying circumstances were to change, these estimates are considered to be critical. The important assumptions for determining recoverable value of goodwill are set out in Section 15; the assumptions for investments in associates and joint ventures are set out in Section 14.

Taxation
Estimates are used when determining the income tax charge and the related current and deferred tax assets and liabilities. The tax treatment of transactions is not always clear or certain and, in a number of countries, prior year tax returns often remain open and subject to approval of the tax authorities for lengthy periods. The tax assets and liabilities reported here are based on the best available information, and where applicable, on external advice. Differences between the final outcome and the original estimates are accounted for in the current and deferred tax assets and liabilities in the period in which reasonable certainty is obtained.

Other Provisions
Judgement is involved in the application of IAS 37 when determining whether a present obligation exists and in estimating the probability, timing, and amount of any outflows. More information on judgments regarding the provisions is included in Section 26 "Provisions".

2.2 Consolidated Financial Statements

2.2.1 Subsidiaries
The participating interests over which Rabobank has control are its subsidiaries (including structured entities) and these are consolidated. Control is exercised over a participating interest if the investor is entitled to receive variable returns from its involvement in the participating interest and has the ability to influence these returns through its control over the participating interest. The assets, liabilities and profit and loss of these companies are fully consolidated.

Subsidiaries are consolidated as from the date on which Rabobank acquires effective control and subsidiaries are de-consolidated as of the date on which this control is ceded. Transactions, balances and unrealized gains and losses on transactions between and among Rabobank and its subsidiaries are eliminated on consolidation.

2.2.2 Investments in Associates and Joint Ventures
Investments in associates and joint ventures are initially recognized at cost (including goodwill) and subsequently accounted for using the equity method of accounting. Its share of post-acquisition profits and losses is recognized in the income statement and its share of post-acquisition movements in reserves is recognized directly in other comprehensive income. The cumulative post-acquisition movements are included in the carrying amount of the investment.

Associates are entities over which Rabobank can exercise significant influence and in which it generally holds between 20% and 50% of the voting rights but does not have control. A joint venture is an agreement between one or more parties under which the parties jointly have control and are jointly entitled to the net assets under the agreement. Unrealized profits on transactions between Rabobank and its associates and joint ventures are eliminated in proportion to Rabobank's interest in the respective associates and joint ventures. Unrealized losses are also eliminated unless the transaction indicates that an impairment loss should be recognized on the asset(s) underlying the transaction.

2.3 Derivatives and Hedging

Derivatives generally comprise foreign exchange contracts, currency and interest rate futures, forward rate agreements, currency and interest rate swaps and currency and interest rate options (written or acquired). Derivatives are recognized at fair value (excluding transaction costs) determined on the basis of listed market prices (with mid-prices being used for EUR, USD and GBP derivatives that have a bid-ask range), prices offered by traders, discounted cash flow models and option valuation models based on current market prices and contract prices for the underlying instruments and reflecting the time value of money, yield curves and the volatility of the underlying assets and liabilities. Derivatives are included under assets if their fair value is positive and under liabilities if their fair value is negative.

Derivatives Not Used for Hedging
Realized and unrealized gains and losses on derivatives held for trading are recognized at fair value in "Gains/ (Losses) on Financial Assets and Liabilities at Fair Value through Profit or Loss".

Derivatives Used for Hedging
Derivatives are used for asset and liability management of interest rate risks, credit risks and foreign currency risks. Rabobank applies IFRS 9 for non-portfolio hedge accounting. IFRS 9 does not offer a solution for fair value hedge accounting for a portfolio hedge of interest rate risk. Rabobank opted to use the accounting policy choice of IFRS 9 to continue to apply the IAS 39 EU carve-out for such portfolio hedge accounting.

At the time of inception of a hedge-accounting relationship, derivatives are designated as one of the following: (1) a hedge of the fair value of an asset, a group of assets or a liability in the statement of financial position (fair value hedge); (2) a hedge of future cash flows allocable to an asset or liability in the statement of financial position, an expected transaction or a firm commitment (cash flow hedge); or (3) a hedge of a net investment in a foreign operation (net investment hedge). Hedge accounting is applied for derivatives designated in this manner provided that certain criteria are met, including the following:

- Formal documentation of the hedging instrument, the hedged item, the objective of the hedge, the hedging strategy, and the hedge relationship;
- Documentation of the assessment and analysis of the sources of hedge ineffectiveness and how the hedges ratio is determined (IFRS 9);
- Effectiveness of 80% to 125% (IAS 39), in covering changes in the hedged item's fair value to the hedged risks during the entire reporting period;
- Continuous effectiveness from the moment of the hedge's inception; and
- An economic relationship between the hedged item and hedging instrument (IFRS 9).

1. Derivatives Used for Fair Value Hedge Accounting
Changes in the fair value of derivatives that are designated as fair value hedges and are effective in terms of the hedged risks are recognized in the statement of income in 'Gains/ (losses) on financial assets and liabilities at fair value through profit or loss', together with the corresponding changes in the fair values of the assets or liabilities hedged.

As and when the hedge no longer meets the criteria for hedge accounting (applying the fair value hedge model), the cumulative adjustment to the fair value of a hedged interest-bearing financial instrument is amortized through profit and loss over the relevant interest repricing period.

2. Derivatives Used for Cash Flow Hedge Accounting
Changes in the fair value of derivatives that are designated (and qualify) as cash flow hedges and that are effective in relation to the hedged risks are recognized in other comprehensive income. Ineffective elements of the changes in the fair value of derivatives are recognized in the statement of income. Deferred amounts included in other comprehensive income are taken to the statement of income in "Gains/ (Losses) on Financial Assets and Liabilities at Fair Value through Profit or Loss" in the periods during which the hedged expected cash flows affect the statement of income.

3. Derivatives Used for Net Investment Hedge Accounting
The hedging instruments used to hedge net investments in foreign operations are measured at fair value, with changes in the fair value being recognized in other comprehensive income for the portion that is determined to be an effective hedge. Changes in the hedged equity instrument resulting from exchange-rate fluctuations are also recognized in other comprehensive income. Gains and losses accumulated in other comprehensive income are reclassified to profit or losses when the equity instrument is disposed of.

4. Costs of Hedging
The cross currency basis spreads of cross currency interest rate swaps in hedge accounting relationships designated with issued bonds in foreign currency is excluded from designation. The cross currency basis spread volatility is taken through OCI as costs of hedging and is reclassified to profit or loss in the same periods as when the hedged expected future cash flows affect profit or loss till maturity of the issued bond.

Although derivatives are used as economic hedges under Rabobank's managed risk positions, certain derivative contracts do not qualify for hedge accounting under the specific IFRS rules. Interest on derivatives held for economic hedging purposes are shown under interest expense, both the receive and pay leg of the derivative.

2.4 Financial Assets and Liabilities Held for Trading

Financial assets held for trading are financial assets acquired with the objective of generating profit from short-term fluctuations in prices or trading margins or they are financial assets that form part of portfolios characterized by patterns of short-term profit participation. Financial assets held for trading are recognized at fair value based on listed bid prices and all realized and unrealized results therefrom are recognized under "Gains/ (Losses) on Financial Assets and Liabilities at Fair Value through Profit or Loss'. Interest earned on financial assets is recognized as interest income. Dividends received from financial assets held for trading are recognized as "Gains/ (Losses) on Financial Assets and Liabilities at Fair Value through Profit or Loss'.

Financial liabilities held for trading are mainly negative fair values of derivatives and delivery obligations that arise on the short selling of securities. Securities are sold short to realize gains from short-term price fluctuations. The securities needed to settle short sales are acquired through securities lending and repurchasing agreements. Securities sold short are recognized at fair value on the reporting date.

2.5 Financial Assets and Financial Liabilities Designated at Fair Value

On initial recognition, financial assets and financial liabilities may be classified as "Financial Assets and Liabilities designated at Fair Value" if this accounting eliminates or significantly reduces any inconsistent treatment that would otherwise have arisen upon measurement of the assets or liabilities or recognition of profits or losses on the basis of different accounting policies.

Interest earned and due on such assets and liabilities is recognized as interest income and expense, respectively. Other realized and unrealized gains and losses on the revaluation of these financial instruments to fair value are included under "Gains/ (Losses) on Financial Assets and Liabilities at Fair Value through Profit or Loss" except for fair value changes due to own credit risk of Financial Liabilities designated at fair value. These Fair Value changes after tax are presented in other comprehensive income under line item "Fair Value Changes Due to Own Credit Risk on Financial Liabilities Designated at Fair Value". Presenting these effects of changes in credit risk in other comprehensive income does not create or enlarge an accounting mismatch in profit or loss.

2.6 Day One Gains/ Losses

When using fair value accounting at the inception of a financial instrument, any positive or negative difference between the transaction price and the fair value (referred to as "day one gain/ loss") is accounted for immediately under "Gains/ (Losses) on Financial Assets and Liabilities at Fair Value through Profit or Loss" where the valuation method is based on observable inputs from active markets. In all other cases, the entire day one gain/loss is deferred and accounted for as "Other liabilities" or "Other assets". After initial recognition the deferred day one gain/ loss is recognized as a gain/ loss to the extent it results from a change in a factor (including time effects).

2.7 Financial Assets at Fair Value Through Other Comprehensive Income

Debt instruments that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest on the principal amount outstanding, are measured at fair value through other comprehensive income and presented as "Financial Assets at Fair Value through Other Comprehensive Income".

Financial assets at fair value through other comprehensive income are initially recognized at fair value, including transaction costs. The fair values of unlisted equity instruments are estimated on the basis of appropriate price/earnings ratios and adjusted to reflect the specific circumstances of the respective issuer.

Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss. Interest from these financial assets is included in net interest income using the effective interest rate method. Impairment losses are included in "Impairment Charges on Financial Assets" in the statement of income.

Where Rabobank has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognized in profit or loss as other income when Rabobank's right to receive payments is established.

2.8 Repurchase Agreements and Reverse Repurchase Agreements

Financial assets that are sold subject to related sale and repurchase agreements are included in the consolidated statement of financial position under "Financial Assets Held for Trading" or "Financial Assets at Fair Value through Other Comprehensive Income", as applicable. The liability to the counterparty is included under "Deposits from Credit Institutions" or "Deposits from Customers", as applicable.

Financial assets acquired under reverse sale and reverse repurchase agreements are not recognised in the consolidated statement of financial position. The consideration paid to purchase financial assets is recognized as "Loans and Advances to Credit Institutions" or "Loans and Advances to Customers", as applicable. The difference between the sales and repurchasing prices is recognized as interest income/expense over the term of the agreement using the effective interest method.

2.9 Securitizations and (De)Recognition of Financial Assets and Liabilities

Recognition of Financial Assets and Liabilities

Purchases and sales of financial assets and liabilities classified as fair value through profit or loss and financial assets at fair value through profit or loss which are required to be delivered within a regulatory-prescribed period or in accordance with market conventions are recognized on the transaction date. Financial instruments carried at amortized cost are recognized on the settlement date.

Securitizations and Derecognition of Financial Assets and Liabilities
Rabobank securitizes, sells and carries various financial assets. These assets are sometimes sold to a special purpose entity (SPE) which then issues securities to investors. Rabobank has the option of retaining an interest in these assets in the form of subordinated interest-only strips, subordinated securities, spread accounts, servicing rights, guarantees, put and call options or other constructions.

A financial asset (or a portion thereof) is derecognized where:

- The rights to the cash flows from the asset expire;
- The rights to the cash flows from the asset and substantially all the risks and rewards of ownership of the asset are transferred;
- A contractual obligation is assumed to transfer the cash flows from the asset and substantially all the risks and rewards have been transferred; or
- Substantially all the risks and rewards are neither transferred nor retained but where control over the asset is not retained.

A financial liability or a part thereof is derecognized if it ceases to exist, i.e. after the contractual obligation has been fulfilled or cancelled or after it has expired. Continuing involvement is recognized if Rabobank neither retains nor transfers substantially all the risks and rewards and control is retained. The asset is recognized to the extent of Rabobanks continuing involvement in it.

Where a transaction does not meet these conditions for derecognition, it is recognized as a loan for which security has been provided. To the extent that the transfer of a financial asset does not qualify for derecognition, Rabobank's contractual rights are not separately recognized as derivatives if recognition of these instruments and the transferred asset, or the liability arising from the transfer, were to result in the double recognition of the same rights and obligations.

Profits and losses on securitizations and sale transactions depend partly on the carrying amounts of the assets transferred. The carrying amounts of these assets are allocated to the interests sold and retained using the relative fair values of these interests on the date of sale. Any gains and losses are recognized through profit and loss at the time of transfer. The fair value of the interests sold and retained is determined based on listed market prices or as the present value of the future expected cash flows based on pricing models that involve several assumptions regarding credit losses, discount rates, yield curves, payment frequency or other factors.

2.10 Cash and Cash Equivalents

Cash equivalents are highly liquid short-term assets held at central banks to meet current cash obligations rather than for investment or other purposes. These assets have terms of less than 90 days from inception. Cash equivalents are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value.

2.11 Offsetting Financial Assets and Liabilities

Where there is legal right to offset recognized amounts and it is intended to settle the expected future cash flows on a net basis or to realize the asset and settle the liability simultaneously, financial assets and liabilities are offset and the net amount is recognized in the statement of financial position. This relates predominantly to derivatives and reverse repurchase agreements. The offsetting of taxes is addressed in Section 2.26.

2.12 Foreign Currency

Foreign Entities
Transactions and balances included in the financial statements of individual entities within Rabobank are reported in the currency that best reflects the economic reality of the individual entity's underlying operating environment (the functional currency).

The consolidated financial statements are presented in euros, which is the parent company's functional currency. The statements of income and cash flows of foreign operations are translated into Rabobank's presentation currency at the exchange rates prevailing on the transaction dates, which approximate the average exchange rates for the reporting period, and the statements of financial position are translated at the rates prevailing at the end of the reporting period. Exchange differences arising on net investments in foreign operations and on loans and other currency instruments designated as hedges of these investments are recognized in other comprehensive income. On sale of a foreign operation, these translation differences are transferred to the statement of income as part of the profit or loss on the sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are recognized as the assets and liabilities of the foreign entity, and are translated at the prevailing rate at the end of the reporting period.

Foreign Currency Transactions
Transactions in foreign currencies are translated into the functional currency at the exchange rates prevailing on the transaction dates. Differences arising on the settlement of transactions or on the translation of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of income as foreign exchange gains and losses and differences that qualify as net investment hedges are recognized in other comprehensive income. Translation differences on non-monetary items measured at fair value through profit or loss are recognized as part of the fair value gains or losses. Translation differences on non-monetary assets at fair value through other comprehensive income are included in the revaluation reserves for equity instruments at fair value through other comprehensive income.

2.13 Interest

Interest income and expense are recognized in the statement of profit or loss using the effective interest method. The effective interest method is a method used for calculating the amortized cost of a financial asset or a financial liability and for allocating the interest income or interest expense to the relevant period. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts. Interest income shall be calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for credit-impaired financial assets. For those financial assets, Rabobank applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods. Interest income on financial assets using the effective interest method includes interest income on "Cash and Cash Equivalents", "Loans and Advances to Credit Institutions", "Loans and Advances to Customers", "Financial Assets at Fair Value through Other Comprehensive Income" and "Derivatives used for Fair Value Hedge-Accounting". Interest on derivatives held for economic hedging purposes are shown under interest expense, both the receive and pay leg of the derivative.

2.14 Fees and Commissions

Rabobank earns fee and commission income from a diverse range of services it provides to its customers. Commissions earned for the provision of services such as payment services and advisory fees are generally recognized as the service is provided. Commission received for negotiating a transaction or for involvement in negotiations on behalf of third parties (for example the acquisition of a portfolio of loans, shares or other securities or the sale or purchase of companies) is recognized upon completion of the underlying transaction. Fee and commission expenses mainly relate to payment services and are recognised over the period in which the services were received.

2.15 Loans and Advances to Customers and Loans and Advances to Credit Institutions

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest on the principal amount outstanding are measured at amortized cost and presented as "Loans and Advances to Credit Institutions" or "Loans and Advances to Customers". At initial recognition, Rabobank measures these financial assets at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset.

Interest income from these financial assets is included in net interest income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in "Gains/ (Losses) Arising from the Derecognition of Financial Assets Measured at Amortized Cost". Impairment losses are included in "Impairment Charges on Financial Assets" in the statement of income.

2.16 Impairment Allowances on Financial Assets

Impairment allowances apply to financial assets at amortized cost and financial assets at fair value through OCI, as well as to lease receivables, contract assets, trade receivables, certain loan commitments and financial guarantees. At initial recognition, an allowance is formed for the amount of the expected credit losses from possible defaults in the coming 12 months (stage 1). If credit risk increased significantly since origination (but remains non-credit-impaired), an allowance will be required for the amount that equals the expected credit losses stemming from possible defaults during the expected lifetime of the financial asset (stage 2). If the financial instrument becomes credit-impaired the allowance will remain at the Lifetime ECL (stage 3). For these instruments the interest income will be recognized by applying the effective interest rate on the net carrying amount (including the impairment allowance). Financial instruments become credit-impaired when one or more events have occurred that had a detrimental impact on estimated future cash flows. Rabobank does not use the low credit risk exemption for any financial instrument.

Two fundamental drivers of the IFRS 9 impairments requirements are a) the methodology for the measurement of 12-Month and Lifetime Expected Credit Losses and b) the criteria used to determine whether a 12-month ECL, Lifetime ECL non-credit-impaired, or Lifetime ECL credit-impaired should be applied (also referred to as stage determination criteria).

a) Methodology to Determine Expected Credit Losses

In order to determine ECLs Rabobank utilizes point-in-time Probability of Default (PD) x Loss Given Default (LGD) x Exposure at Default (EAD) models for the majority of the portfolio in scope. Three macroeconomic scenarios are incorporated into these models and probability weighted in order to determine the expected credit losses. When unexpected external developments or data quality issues are not sufficiently covered by the outcome of the ECL models, an adjustment will be made.

b) Stage Determination Criteria

In order to allocate financial instruments in scope between stage 1, stage 2 and stage 3 Rabobank has a framework of qualitative and quantitative factors. The criteria for allocating a financial instrument to stage 3 are aligned with the criteria for assigning a defaulted status, for example 90 days past due status, or if a debtor is likely to become unable to pay its credit obligations without liquidation of collateral by the bank. In order to allocate financial instruments between stages 1 and 2, Rabobank uses criteria, such as days past due status, special asset management status and deterioration of the PD since origination.

For portfolios without individual PD's or with PD's that are not updated on a frequent basis such that an assessment of the change in PD is not possible, a collective assessment on groups of financial instruments with shared credit risk characteristics is made.

Significant Increases in Credit Risk (SICR)

At each reporting date, Rabobank assesses whether the credit risk on financial instruments has increased significantly since initial recognition. There is a rebuttable presumption that the credit risk on a financial asset has increased significantly since initial recognition when the contractual payments are over 30 days past due and/ or the financial asset is included in a watch-list. The rebuttable presumption is not an absolute indicator that lifetime ECL should be recognized, but is presumed to be the latest point at which lifetime ECL should be recognized.

The assessment of whether lifetime ECL are recognized is based on significant increases in the likelihood of default risk occurring since initial recognition – irrespective of whether a financial instrument has been repriced to reflect an increase in credit risk – instead of based on evidence of a financial instrument being credit-impaired at the reporting date or an actual default occurring. Generally, there will be a SICR before a financial instrument becomes credit impaired or an actual default occurs. For loan commitments, Rabobank considers changes in the default risk occurring on the loan to which a loan commitment relates. For financial guarantee contracts, Rabobank considers the changes in the risk that the specified debtor will default on the contract.

The assessment of changes in credit risk analysis is a multifactor and holistic analysis. Whether a specific factor is relevant (and its weight compared to other factors) depends on the type of product, characteristics of the financial instruments and the borrower as well as the geographical region. The methods used to determine whether credit risk on financial instruments has increased significantly since initial recognition should consider the mentioned characteristics of the instruments (or a group of instruments) and past default patterns for comparable financial instruments.

Default Definition

In defining default for the purposes of determining the risk of a default occurring, Rabobank applies a default definition consistent with the definition used for internal credit risk management purposes for the relevant financial instrument and considers qualitative indicators when appropriate. However, there is a rebuttable presumption that default does not occur later than when a contractual payment on a financial asset is 90 days past due. The definition of default used for these purposes is applied consistently to all financial instruments.

Collective Versus Individual Assessment

Some factors or indicators may not be identifiable on an individual instrument level. In that case, the factors or indicators are assessed for appropriate portfolios, groups of portfolios or a portion of a portfolio to determine whether the requirements for recognition of lifetime ECL have been met. The aggregation of financial instruments to assess whether there are changes in credit risk on a collective basis may change over time when new information becomes available on groups of, or individual, financial instruments.

Depending on the nature of the financial instruments and the credit risk information available for particular groups of financial instruments, Rabobank may not be able to identify SICR for an individual instrument before that instrument becomes past due. This may be the case for financial assets (such as retail loans) for which there is little or no updated credit risk information routinely obtained and monitored on an individual instrument level until a customer breaches the contractual terms. If changes in the credit risk for an individual instrument is not captured before it becomes past due, a loss allowance based solely on credit information at an individual instrument level would not faithfully represent the changes in credit risk since initial recognition.

In some circumstances, Rabobank has no reasonable and supportable information available without undue cost or effort to measure lifetime ECL on an individual instrument basis. Lifetime ECL is then recognized by collectively considering comprehensive credit risk information, which not only incorporates past due information but also all relevant credit information (including forward-looking macroeconomic information) to approximate the result of recognizing lifetime ECL when there has been a SICR since initial recognition.

For the purpose of determining SICR and recognizing a loss allowance on a collective basis, Rabobank may group financial instruments based on shared credit risk characteristics with the objective of facilitating an analysis designed to enable SICR to be identified in a timely fashion. However, when Rabobank is unable to group those financial instruments for which the credit risk is considered to have increased significantly since initial recognition based on shared credit risk characteristics, it recognizes lifetime ECL on a portion of the financial instruments for which credit risk is deemed to have increased significantly.

Shared credit risk characteristics may include but are not limited to: instrument types, credit risk ratings, collateral types, initial recognition dates, remaining terms to maturity, industries, geographic location, collateral value relative to the financial instrument if it has an impact on the PD (e.g., non-recourse loans in some jurisdictions or LTV ratios).

2.17 Modifications

The contractual terms of a financial asset may be modified for a commercial reason or due to a forbearance measure. A commercial modification is a change to the previous terms and conditions of a contract (financial asset) that alters the timing or amount of the contractual cash flows of the financial asset. Typically Rabobank considers a modification as non-substantial if it does not impact multiple aspects of the contract at the same time, for example a change in the fixed interest period, repayment type or obligors. At Rabobank, forbearance measures are normally non-substantial modifications.

Substantial modifications lead to a derecognition of the financial asset and non-substantial modifications lead to modification accounting. In the event of a modification Rabobank recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognizes a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate.

2.18 Goodwill and Other Intangible Assets

Goodwill
Goodwill is the amount by which the acquisition price paid for a subsidiary exceeds the fair value on the date on which the share of net assets and contingent liabilities of the entity was acquired. With each acquisition, the other non-controlling interests are recognized at fair value or at its share of the identifiable assets and liabilities of the acquired entity. Tests are performed annually, or more frequently if indications so dictate, to determine whether there has been impairment.

Other Intangible Assets, including software development costs
Costs directly incurred in connection with identifiable and unique software products over which Rabobank has control and which will likely provide economic benefits exceeding the costs for longer than one year are recognized as other intangible assets. Direct costs include the personnel costs of the software development team, financing costs and an appropriate portion of the relevant overhead.

Expenditures that improve the performance of software as compared with their original specifications are added to the original cost of the software. Software development costs are recognized as other intangible assets and are amortized on a linear basis over a period not exceeding five years. Costs related to the maintenance of software are recognized as an expense at the time they are incurred.

Other intangible assets include those identified through business combinations, and they are amortized over their expected useful lives when the asset is available for use.

Impairment Losses on Goodwill
Goodwill is allocated to cash-generating units for the purpose of impairment testing, which is undertaken at the lowest level of assets that generate largely independent cash inflows. During the fourth quarter of each financial year, or more frequently if there are indications of impairment, goodwill is tested for impairment and any excess of carrying amount over recoverable amount is provided. The recoverable amount is the higher of the value in use and the fair value less selling costs.

The value in use of a cash flow generating unit is determined as the present value of the expected future pre-tax cash flows of the cash flow generating unit in question. The key assumptions used in the cash flow model depend on the input data and they reflect various judgmental financial and economic variables, such as risk-free interest rates and premiums reflecting the risk inherent in the entity concerned. Impairments of goodwill are included under 'Impairment losses on goodwill' in the statement of income, if applicable.

Impairment Losses on Other Intangible Assets
At each reporting date, an assessment is made as to whether there are indications of impairment of other intangible assets. If there are such indications, impairment testing is carried out to determine whether the carrying amount of the other intangible assets is fully recoverable. The recoverable amount shall be estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash generating unit to which the asset belongs is determined. An impairment loss is recognized if the carrying amount exceeds the recoverable amount. Impairment losses and impairment reversals are included in "Other Administrative Expenses" in the statement of income.

Regardless of any indication of impairment, intangible assets not yet available for use are tested for impairment annually by comparing their carrying amount with their recoverable amount.

2.19 Property and Equipment

Property and Equipment for Own Use
Property for own use consists mainly of office buildings and is recognized at cost less accumulated depreciation and impairment, as is equipment for own use. Assets are depreciated to their residual values over the following estimated useful lives on a straight-line basis:

Property	
- Land	Not depreciated
- Buildings	25 - 40 years
Equipment	
- Computer equipment	1 - 5 years
- Other equipment and vehicles	3 - 8 years

An annual assessment is made as to whether there are indications of impairment of property and equipment. If the carrying amount of an asset exceeds its estimated recoverable amount, the carrying amount is written down to the recoverable amount. Impairment losses and impairment reversals are included under "Other Administrative Expenses" in the statement of income. Gains and losses on the disposal of property and equipment are determined on the basis of their carrying amounts and are recognized in operating results.

Repair and maintenance work is charged to the statement of income at the time the costs are incurred. Expenditures to extend the economic life or increase the economic value of land and buildings as compared with their original economic value are capitalized and subsequently depreciated.

2.20 Investment Properties

Investment properties, primarily office buildings and housing units, are held for their long-term rental income and are not used by Rabobank or its subsidiaries. Investment properties are recognized as long-term investments and included in the statement of financial position at cost net of accumulated depreciation and impairment. Investment properties are depreciated on a straight-line basis to their residual values over an estimated useful life of forty years.

2.21 Other Assets

Structured Inventory Products
Rabobank offers several products that relate to financing commodities. Some of these products are recognized as loans with commodities as collateral, others as loans with embedded derivatives and others as commodities. The classification is mainly dependent on the transfer of risk and rewards of the commodity from the client to Rabobank.

Building Sites
Building sites are carried at cost, including allocated interest and additional expenses for purchasing the sites and making them ready for construction or, if lower, the net realizable value. Interest is not recognized in the statement of financial position for land which has not been zoned for a particular purpose if there is no certainty that the land will be built on. Possible decreases in value as a result of future change of designated use of the relevant land are not included in the cost of land, but are included in the determination of the net realizable value.

The net realizable value of all building sites is reviewed at least once a year or earlier, in case of any indications of impairment. The net realizable value for building sites is the direct realizable value or, if higher, the indirect realizable value. The direct realizable value is the estimated value upon sale less the estimated costs for achieving the sale. The indirect realizable value is the estimated sale price within the context of normal operations less the estimated costs of completion and the estimated costs necessarily incurred to realize the sale. The calculation of the indirect realizable value is based on an analysis of scenarios that includes as many site-specific aspects and company-specific parameters and conditions as possible.

A write-down is recognized if the carrying value exceeds the realizable value.

Properties on building sites are classified as investment property if the current use of Rabobank is leasing them out under one or more operating leases.

Work in Progress
Work in progress concerns sold and unsold residential projects under construction or in preparation, as well sold and unsold commercial property projects. Work in progress is carried at the costs incurred plus allocated interest or, if lower, the net realizable value. Revenues from projects for the construction of real estate are recognized when the related performance obligations are satisfied. Expected losses on projects are immediately deducted from the work in progress. If Rabobank transfers (parts of) a project to a customer before the customer pays instalments, Rabobank presents a contract asset. If a customer pays instalments, or Rabobank has a right to instalments that is unconditional, before Rabobank transfers (parts of) a project to a customer, Rabobank presents a contract liability.

The carrying amount of unsold work in progress is reviewed annually for indications of a decline in value. If there is such an indication, the indirect realizable value of the work in progress is estimated; in most cases this is done by means of an internal or external appraisal. The indirect realizable value is the estimated sale price within the context of normal operations less the estimated costs of completion and the estimated costs necessarily incurred to realize the sale. A downward value adjustment is recognized if the carrying value exceeds the expected indirect realizable value, to the extent that this difference must be borne by Rabobank.

Finished Properties
Unsold residential and commercial properties developed in-house are carried at cost or, if lower, the net realizable value. The net realizable value of finished properties is reviewed at least once a year or if there are any indications for a decline in value. For finished properties, the net realizable value is generally equal to the direct realizable value, which is mostly determined by means of an internal or external appraisal. A downward value adjustment is recognized if the carrying value exceeds the expected direct realizable value, to the extent that the difference is on account of Rabobank.

2.22 Leasing

Rabobank as Lessee
As a lessee, Rabobank recognises a right-of-use asset representing its right to use the underlying leased asset and a corresponding liability representing its obligation to make lease payments at the date at which the leased asset is available for use. Each lease payment is allocated between the lease liability and interest expense. The interest expenses are charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use assets are depreciated over the lease term on a straight-line basis. The lease liability is measured at the present value of the lease payments. The lease payments comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- Fixed payments less any lease incentives received;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable by the lessee under residual value guarantees;
- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

The present value of the lease payments is determined by using the interest rate implicit in the lease. If that rate cannot be determined, the lessee’s incremental borrowing rate is used, which is the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions. Rabobank defines the incremental borrowing rate as the internal funding rate (Funds Transfer Pricing (FTP) rate) plus an asset-specific premium. By using the FTP rate as a basis the discount rate will be defined for each time bucket and consists of the following elements:

- Base rate: the risk-free rate;
- Credit spread: based on credit risk of the group company;
- Country specific risk: based on location of the group company; and
- Currency risk: based on the functional currency of the group company;

The right-of-use asset is measured at an amount equal to the lease liability, adjusted by the lease payments made at or before the commencement date less any lease incentives received and any initial direct costs and restoration costs. Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Rabobank recognizes the right-of-use assets as part of the line-item Property and Equipment and the lease liability as part of line-item Other Liabilities in the Consolidated Statement of Financial Position.

Rabobank as Lessor

Finance Leases
A finance lease is recognized as a receivable under "Loans and Advances to Credit Institutions" or "Loans and Advances to Customers", as applicable, at an amount equal to the net investment in the lease. The net investment in the lease is the present value of the nominal minimum lease payments and the unguaranteed residual value. The difference between the gross investment and the net investment in the lease is recognized as unearned finance income. Lease income is recognized as interest income over the term of the lease using the net investment method, which results in a constant rate of return on the investment.

Operating Leases
Assets leased under operating leases are included in the statement of financial position under "Property and Equipment". The assets are depreciated over their expected useful lives in line with those of comparable items of property and equipment. Rental income (fewer write-offs and discounts granted to lessees) is recognized under "Net Income from Other Operating Activities" on a linear basis over the term of the lease.

2.23 Provisions

Provisions are recognized for obligations (both legal and constructive) arising as a result of a past event where it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If Rabobank expects a provision to be reimbursed, for example under an insurance policy, the reimbursement is recognized as a separate asset but only if the reimbursement is virtually certain. The provisions are carried at the discounted value of the expected future cash flows. The additions to and releases of provisions are recognized in the statement of income under "Other Administrative Expenses".

Restructuring
Restructuring provisions comprise payments under redundancy schemes and other costs directly attributable to restructuring programs. These costs are recognized during the period in which the legal or actual payment obligation arises, a detailed plan has been prepared for redundancy pay and there are realistic expectations among the affected parties that the restructuring will be implemented.

Legal Issues
The provision for legal issues is based on the best estimates available at the end of the reporting period, taking into account legal advice. The timing of the cash outflow of these provisions is uncertain because the outcome of the disputes and the time involved are unpredictable.

Other Provisions
Other provisions include provisions for onerous contracts, potential settlements and credit related contingent liabilities.

2.24 Employee Benefits

Rabobank has various pension plans in place based on the local conditions and practices of the countries in which it operates. In general, the plans are financed by payments to insurance companies or to trustee administered funds determined by periodic actuarial calculations. A defined benefit pension plan is one that incorporates an obligation to pay an agreed amount of pension benefit, which is usually based on several factors such as age, number of years' service and remuneration. A defined contribution plan is one in which fixed contributions are paid to a separate entity (a pension fund) with no further legal or constructive obligation on the part of the employer should the fund have insufficient assets to settle its obligations to employee-members of the plan.

Pension Obligations
The obligation under defined benefit pension plans is the present value of the defined benefit pension obligation at the end of the reporting period reduced by the fair value of the fund investments. The defined benefit obligation is calculated annually by independent actuaries based on the projected unit credit method. The present value of the defined benefit obligation is determined as the estimated future outflow of cash funds based on the interest rates of high-quality corporate bonds with terms that approximate those of the corresponding obligation. The majority of pension plans are career-average plans. The costs of these plans (being the net pension charge for the period after

deducting employee contributions and interest) are included under 'Staff costs'. Net interest expense/income is determined by applying the discount rate at the beginning of the reporting period to the asset or liability of the defined benefit pension plan.

Actuarial gains and losses arising from events and/or changes in actuarial assumptions are recognized in the statement of comprehensive income.

Defined Contribution Plans
Under defined contribution plans, contributions are paid into publicly or privately managed pension insurance plans on a compulsory, contractual or voluntary basis. These regular contributions are recognized as expense in the year in which they are due and they are included under "Staff costs".

Other Post-Employment Obligations
Some of Rabobank's business units provide other post-employment benefits. To become eligible for such benefits, the usual requirement is that the employee remains in service until retirement and has been with the company for a minimum number of years. The expected costs of these benefits are accrued during the years of service, based on a system similar to that for defined benefit pension plans. The obligations are calculated annually by independent actuaries.

Variable Remuneration
Variable remuneration payable unconditionally and in cash is recognized in the year in which the employee renders the service. Conditional cash remuneration is included, on a straight line basis, in staff costs in the statement of income over the period of the year in which the employee's services are received and the remaining three years of the vesting period (i.e. over four years). The liability is recognized in "Other liabilities". The accounting treatment of payments based on equity instruments is disclosed in Section 2.25.

2.25 Variable Remuneration Based on Equity Instruments

For certain identified staff, remuneration for services rendered is settled in the form of cash payments based on equity instruments that are similar to, and have the same characteristics as, Rabobank Certificates. The costs of the services received are based on the fair value of the equity instruments on the award date and are restated annually to fair value. The costs related to the award of equity instruments during the period of the employee's contract are included in staff costs in the statement of income over the period of the year of award and the remaining three years of the vesting period of the equity instruments (i.e. over four years). The liability is recognized in 'Other liabilities'.

2.26 Tax

Current tax receivables and payables are offset where there is a legally enforceable right to offset and where simultaneous treatment or settlement is intended. Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset and where they relate to the same tax authority and arise within the same taxable entity.

Deferred income tax is provided, using the liability method, on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. These temporary differences arise primarily on depreciation of tangible fixed assets, revaluation of certain financial assets and liabilities (including derivatives), employee benefits, loan impairment allowances and other impairments, tax losses and fair value adjustments to net assets acquired in business combinations. Deferred tax assets and liabilities are also recognized on the revaluation of financial assets at fair value through other comprehensive income and cash flow hedges that are taken directly to other comprehensive income. When realized, they are recognized in the income statement at the same time as the respective deferred gain or loss is recognized. Deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which the losses can be utilized and are measured at the tax rates that have been enacted or substantively enacted as at the reporting date. Rabobank considers all deferred taxes to be non-current.

Taxes on profit are calculated in accordance with the tax legislation of the relevant jurisdictions in which Rabobank operates and are recognized as an expense in the period in which the profit is realized. The tax effects of loss carry forwards are recognized as an asset if it is probable that future taxable profits will be available against which the losses can be utilized.

2.27 Deposits from Credit Institutions, Deposits from Customers and Debt Securities in Issue

These liabilities are initially recognized at fair value, which is the issue price less directly allocable and non-recurring transaction costs, and thereafter at amortized cost including transaction costs.

The TLTRO funding from the European Central Bank is initially recognised at fair value and is subsequently classified as deposits from credit institution measured at amortised cost. Rabobank takes into the account the estimated interest to be received which is dependent on benchmarks for net lending. When

Rabobank revises its estimates of payments or receipts, it will adjust the carrying amount of the TLTRO to reflect actual and revised estimated cash flows. The carrying amount will then be recalculated based on the present value of the estimated future cash flows at the original effective interest rate, with value adjustments recognised in the income statement.

Own issued debt securities that are repurchased are derecognized, with the difference between the carrying amount and the consideration paid being recognized in the income statement.

2.28 Rabobank Certificates

The proceeds of the issue of Rabobank Certificates are available to Rabobank in perpetuity and are subordinate to all liabilities and to the Capital Securities. As the payment of distributions is wholly discretionary, the proceeds received and dividends paid on them are recognized in equity.

2.29 Capital Securities

As there is no formal obligation to (re)pay the principal or to pay a dividend, the Capital Securities are recognized as "Equity" and dividends paid on these instruments are recognized directly in equity.

2.30 Financial Guarantees

Financial guarantee contracts require the issuer to compensate the holder for losses incurred when the debtor fails to meet its obligations under the terms of the related debt instrument. The guarantees are initially recognized at fair value and subsequently measured at the higher of the amount of the impairment allowance and the amount initially recognized less cumulative amortization.

2.31 Segmented Information

An opertating segment is a component of Rabobank that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by Rabobank's Managing Board to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

2.32 Business Combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is determined as the monetary amount (or equivalent) agreed for the acquisition of the business combination. Goodwill represents the difference between the cost of the acquisition and the acquirer's share of the fair value of the identifiable assets, liabilities, and contingent assets and liabilities acquired. Goodwill is capitalized and recognized as an intangible asset. The non-controlling interest is also determined as the fair value or its share of the identifiable net assets of the company acquired. Direct acquisition costs are charged directly to the statement of income on acquisition.

2.33 Disposal Groups Classified as Held for Sale and Discontinued Operations

Assets that have been classified as held for sale are written down to their fair value, reduced by the estimated costs of sale, where this is lower than the carrying amount. An asset (or group of assets) is classified as held for sale when it is very likely that its economic value will be realized primarily through sale rather than through continued use, the asset (or group of assets) is fully available for sale in its current condition, management has committed itself to a plan to sell the asset, and the sale is expected to be completed within one year of its classification as held for sale. If a group of assets classified as held for sale represents a key business activity or key geographic region, it is classified as discontinued operations and recognized outside comprehensive income arising from continuing operations.

2.34 Cash Flow Statement

Cash and cash equivalents include cash resources, money market deposits and deposits at central banks. The cash flow statement is prepared using the indirect method and provides details of the source of the cash and cash equivalents that became available during the year as well as their application during the year. The net pre-tax cash flow from operating activities is adjusted for non-cash items in the statement of income and for non-cash changes in items in the statement of financial position.

The Consolidated Statement of Cash Flows presents the cash flows from operating, investing and financing activities separately. Cash flows from operating activities include net changes in loans and advances, interbank deposits, deposits from customers and acquisitions, disposals and repayment of financial investments. Investment activities include acquisitions and disposals of subsidiaries, investments in associates and property and equipment. Financing activities include issues and repayments of Rabobank Certificates, Capital Securities, Senior Contingent Notes, subordinated liabilities and debt securities in issue.

The difference between the net change presented in the statement of cash flows and the change in cash and cash equivalents included in the statement of financial position is due to exchange differences.

3. Solvency and Capital Management

Rabobank aims to maintain a proper level of solvency. For this purpose a number of capital ratios are utilized. The principal ratios are the common equity tier 1 ratio (CET1), the tier 1 ratio, the total capital ratio and the equity capital ratio. Rabobank uses its own internal objectives that extend beyond the minimum requirements of the supervisors. It takes market expectations and developments in legislation and regulations into account. Rabobank manages its solvency position based on policy documents. The solvency position and the objectives are periodically reviewed by the Risk Management Committee and the Asset Liability Committee of the Managing Board and the Supervisory Board.

The 'Capital Requirements Regulation (CRR)' and 'Capital Requirements Directive IV (CRD IV)' together constitute the European implementation of the Basel Capital and Liquidity Accord of 2010. These rules, which became effective on 1 January 2014, are applied by Rabobank. Next to this, Rabobank implemented the arrangements under the so called CRR 'quick fix', predominantly the extension of the SME support factor.

Rabobank must comply with a number of minimum solvency positions as stipulated under law. The solvency position is determined on the basis of ratios. These ratios compare the qualifying capital (total capital ratio), the tier 1 capital (tier 1 ratio) and the core capital (common equity tier 1 ratio) with the total of the risk-adjusted assets. The minimum percentages are determined on the basis of CRD IV/ CRR and reflect the application of article 104a of the CRR 2 to partly fulfil the pillar 2 requirement with additional tier 1 and tier 2 capital as well as the adjustment of the systemic buffer requirement by DNB.

Minimum Capital Buffer

	CET 1	*AT 1*	*Tier 1*	*Tier 2*	*Total capital/own funds*
Pillar 1 requirement	4.5%	1.50%	6.0%	2.0%	8.0%
Pillar 2 requirement	0.98%	0.33%	1.31%	0.44%	1.75%
Capital conservation buffer	2.5%	-	2.5%	-	2.5%
Systemic buffer	2.0%	-	2.0%	-	2.0%
Countercyclical buffer	0.01%	-	0.01%	-	0.01%
Total required	**10.00%**	**1.83%**	**11.83%**	**2.44%**	**14.26%**

Risk-weighted assets are determined based on separate and distinct methods for each of the credit, operational and market risks. For credit risk purposes, the risk-weighted assets are determined in several ways dependent on the nature of the asset. For the majority of assets the risk weighting is determined by reference to internal ratings and a number of characteristics specific to the asset concerned. For off-balance sheet items the balance sheet equivalent is calculated firstly on the basis of internal conversion factors and the resulting equivalent amounts are then also assigned risk-weightings. For operational risk purposes, an Advanced Measurement Approach model is used to determine the amount of risk-weighted assets. For market risk purposes, the Internal Model Approach is applied on the majority of the exposures in scope, with very small exposures following standardized methods. At 31 December 2020, Rabobank's capital requirement was EUR 16.5 billion (2019: EUR 16.5 billion).The overall regulatory capital requirement for credit risk, market risk and operational risk was stable in 2020. A variety of factors offset one other. The new Definition of Default and TRIM increased the capital requirement, however, this was offset by a decrease due to amongst others the postponed DNB measure to apply a minimum risk weight for mortgages, the revised SME support factor and a lower capital requirement for operational risk. Rabobank has applied for and been granted permission to apply the IFRS 9 transitional arrangements as of June 30, 2020. A surplus of IFRS 9 allowances compared to prudential expected credit loss for performing exposures can be added back to CET 1 capital instead of to tier 2 capital under the transitional arrangements. The impact on the CET 1 ratio was limited to 2.6 basis points.

The transitional CRR provisions have been reflected in the ratios set out below.

Capital Ratios

Amounts in millions of euros	*2020*	*2019*
Retained earnings	29,234	28,910
Expected dividends	(2)	(3)
Rabobank Certificates	7,822	7,449
Part of non-controlling interest treated as qualifying capital	-	-
Reserves	(1,382)	(753)
Regulatory adjustments	(1,080)	(2,007)
Transition guidance - IFRS 9 transitional arrangements	55	-
Common Equity Tier 1 capital	**34,647**	**33,596**
Capital Securities	4,441	4,951
Grandfathered instruments	41	313
Non-controlling interests	-	-
Regulatory adjustments	(67)	(106)
Transition guidance	-	-
Additional Tier 1 capital	**4,415**	**5,158**
Tier 1 capital	**39,062**	**38,754**
Part of subordinated debt treated as qualifying capital	10,816	13,299
Non-controlling interests	-	-
Regulatory adjustments	33	(92)
Transition guidance - IFRS 9 transitional arrangements	(60)	-
Tier 2 capital	**10,789**	**13,207**
Qualifying capital	**49,851**	**51,961**
Risk-weighted assets	205,773	205,797
Common Equity Tier 1 ratio	16.8%	16.3%
Tier 1 ratio	19.0%	18.8%
Total capital ratio	24.2%	25.2%
Equity capital ratio[1]	18.0%	17.7%

1 The equity/ capital ratio is calculated by comparing the items Retained earnings and Rabobank Certificates to the risk-weighted assets.

The deductions primarily consist of goodwill, other intangible fixed assets, deferred tax assets which depend on future profit, the IRB shortfall for credit risk adjustments and adjustments relating to cumulative results due to changes in the bank's credit risk on instruments designated at fair value.

The additional tier 1 instruments issued by Rabobank prior to 2015 do not comply with the CRR requirements. They are being 'grandfathered'. This means that these instruments will be phased out of capital ratios, in line with the regulatory requirements.

4. Risk Exposure on Financial Instruments

4.1 Risk Organization

The Managing Board is responsible for overseeing the development and operations of risk management at various levels within the organization. This includes the ongoing strengthening of staff skills and enhancements to risk management systems, policies, processes, quantitative models and reports where necessary to ensure the bank's risk management capabilities are sufficiently robust and effective to fully support its strategic objectives and all of its risk-taking activities. The Supervisory Board is responsible for the supervision of the Managing Board with regard to their execution of risk profile, risk policies and risk management activities. The Supervisory Board's Risk Committee consists of members of the Supervisory Board and supports the Supervisory Board in preparing its decision making in relation to its supervision.

Risk Appetite

Identifying and managing risks for its organization is an ongoing process at Rabobank. For this purpose, Rabobank has an integrated risk management strategy. The risk management cycle includes determining risk appetite, preparing integrated risk analyses, and measuring and monitoring risk. Throughout this process Rabobank follows a risk strategy aimed at continuity and designed to protect profitability, maintain solid balance-sheet ratios and protect its identity and reputation.

4.2 Strategy for the Use of Financial Instruments

Rabobank's activities are inherently related to the use of financial instruments, including derivatives. As part of the services it offers, Rabobank accepts deposits from customers at varying terms and at both fixed and variable interest rates. Rabobank earns interest income by investing these deposits in high-quality assets and by providing loans to commercial and retail borrowers. Rabobank aims to increase the margin on these activities by actively managing the interest rate positions of the banking book balance within risk-boundaries while maintaining sufficient cash resources to meet obligations as they fall due. Rabobank is exposed to credit risk on the on-balance sheet loans and on the off-balance sheet guarantees it provides, such as letters of credit, letters of performance and other guarantee documents.

4.3 Credit Risk

Credit risk is defined as the risk of the bank facing an economic loss because the bank's counterparties cannot fulfil their contractual obligations.

Credit risk management within the bank is governed by the bank-wide central credit risk policy and further detailed in underlying specific credit risk standards and procedures. The primary responsibility for managing and monitoring credit risk lies with the business as the first line of defense. The business is required to identify, assess and manage, monitor and report potential weaknesses in the credit risk portfolios. Monitoring takes place on an ongoing basis to limit credit risk exposures to a level in line with the business line's risk appetite.

In addition, risk in the credit portfolio is measured and monitored at bank-wide level and on entity level on a monthly basis and by quarterly and ad-hoc portfolio reporting and analysis, with specific attention to risk developments and concentrations.

4.3.1 Credit Risk Management

Credit Acceptance

Rabobank's credit acceptance policy is typified by prudent assessment of customers and their ability to repay the loan that was granted (continuity perspective). As a result, the loan portfolio has an acceptable risk profile even in less than favorable economic circumstances. Rabobank aims to have long-term relationships with customers that are beneficial for both the client and the bank. An important starting point in acceptance policy for business loans is the "know your customer" principle. This means that the bank only grants loans to business customers whose management Rabobank considers to be ethical and competent. In addition, Rabobank closely monitors developments in the business sectors in which its customers operate and in which it can properly assess the financial performance of its customers. Corporate sustainability also means sustainable financing. Sustainability guidelines have been established for use in the credit process.

Although credit is usually granted on the cash flow generating potential of the client or project, collateral will improve the position of the bank in case a client defaults. Collateral can be independent of the client's business and/or obtained from the client's business. Rabobank has outlined its policies for collateral valuation and collateral management in the Global Standard on Credit Risk Mitigation. The valuation method depends on the type of collateral. For asset collateral, the valuation sources can be the customer's balance sheet (e.g. equipment, machinery and stock), nominal value (e.g. cash and receivables), market value (e.g. securities and commodities), independent valuations (commercial immovable property) and market indices (residential immovable property). All (eligible) collateral is valued at market value or less than market value and the collateral value is monitored regularly. The collateral must be sufficiently liquid and its value over time should be sufficiently stable to provide appropriate credit protection. Within the Rabobank policy framework each type of collateral is addressed separately.

The main types of collateral that are recognized by Rabobank are residential and commercial immovable property, inventory (such as equipment, machinery, stock etc.), commodities, receivables and guarantees. With a substantial domestic mortgage portfolio, residential immovable property is considered a concentration risk within the credit risk mitigation that is taken. The quality of the collateral is assessed in the initial credit request, and is monitored within the credit revision process (see table below for the Rabobank policy concerning revaluation and monitoring of collateral). The frequency of revaluation depends on the credit quality of the client (performing or non-performing) and on the type of collateral and is in line with the requirements set out in the CRR. The main types of guarantors are governments, local authorities, (central) banks and corporate entities. For institutions, insurance undertakings and export credit agencies, a minimum rating is required.

Immovable property exposure/ immovable property collateral	Revaluation at least	Monitoring at least
Non-performing exposures	every year	every 6 months; exposure < EUR 1 million: every year
Performing exposures		
a) exposure > EUR 3 million/ all types of collateral	every three years	every year
b) all commercial immovable property with exposure <= EUR 3 million	as defined by business unit	every year
c) residential immovable property with exposure <= EUR 3 million	as defined by business unit	every three years

Credit Committees and Credit Approval
Within the boundaries set by the Risk Management Committee the Managing Board has mandated decision-making authority to transactional committees and to credit decision approval officers that operate on an entity level, regional level or central level at Rabobank. Credit committees review all significant risks in credit proposals to arrive at a systematic judgment and a balanced decision. Rabobank has various levels of credit committees. Applications exceeding authority level of a credit committee are complemented with a recommendation and submitted to a 'higher' credit committee for decision-making.

- **Central Credit Committee Rabobank Group** (CCCRG) - The CCCRG takes credit decisions on credit applications subject to the 'corporate credit approval route' exceeding:
  - The authority of **Credit Approvals Local Banks** (CA LB) - This department is responsible for decisions on requests for non-classified (LQC Good or OLEM) obligors exceeding the authority of Local Banks in The Netherlands.
  - The authority of **Credit Approvals Wholesale & Rural** (CA W&R) - This department is responsible for decisions on requests for non-classified (LQC Good or OLEM) obligors exceeding the authority of DLL or a Wholesale & Rural (W&R) office/region.
  - The authority of the **Credit Committee Financial Restructuring & Recovery** (CC-FR&R) - This credit committee takes credit decisions on proposals for classified (LQC Substandard, Doubtful or Loss) obligors exceeding the authority of local credit committees and the FR&R department.
- **Country & Financial Institutions Committee** (CFIC) - The CFIC takes credit decisions on proposals exceeding the authority of Credit Financial Institutions or Country Risk Research. These departments are responsible for the risk management of exposure on financial institutions and sovereigns/countries.
- **Loan Loss Provision Committee** (LLPC) - The Loan Loss Provision Committee is responsible for determining the level of expected credit loss (ECL) provisions for Rabobank. This responsibility is delegated by the Managing Board. The Committee approves the setting of provisioning levels for both model-based (stage 1, stage 2 and stage 3a) and individually assessed exposures (stage 3b) in the loan book (business and private individuals/ mortgages) as well as top level adjustments (technical and business). For individually assessed Stage 3b exposures as well as top level adjustments, estimates based on individual assessments and expert judgement are used. In addition, the Committee considers relevant internal and external information in its decisions. This includes the outcomes of the backstop process and forward-looking elements such as budget forecasts, scenario analyses or stress test outcomes. Following such considerations, the Committee may approve deviations from the provisioning estimates and/or provide strategic recommendations to the Managing Board.

The Terms of Reference (ToR) provide the mandate, responsibilities & scope, hierarchical relationships, membership, authority levels and modalities of these approval bodies. Credit committees take decisions on the basis of consensus, unless local regulation requires majority voting. Consensus is reached when there is a general agreement or when none of the members have fundamental objections to the decision. When no consensus can be reached, an application is considered declined. In case of majority voting, the representative(s) from the Risk domain must have a veto right. If a veto is used, the Managing Board decides.

For efficiency reasons Credit Committees can delegate part of their authority. A single person may not take a credit decision solely based on their own opinion. This means that we apply a four-eyes principle or decisions are system supported. In such cases, one person may take a decision as long as the credit is assessed as acceptable by an expert system or meets predefined criteria (the credit complies with decision tools). Fully IT supported assessments and approvals are allowed under strict conditions.

The credit committees play a key role in ensuring consistency among Rabobank standards of credit analysis, compliance with the overall Rabobank credit policy and consistent use of the rating models. The credit policy sets the parameters and remit of each committee, including the maximum amount they are allowed to approve for limits or transactions. Policies are also in place which restrict or prohibit certain counterparty types or industries. As a rule, all counterparty limits and internal ratings are reviewed once a year (corporate clients) at a minimum. Where counterparties are assigned a low loan quality classification, they are reviewed on a more frequent basis. Credit committees may request for more frequent reviews as well.

4.3.2 Lending

Rabobank has a significant market share in residential mortgages lending. These loans have a low risk profile, the net addition in 2020 to loan impairment allowances is -1 basis points. In 2020, the proportion of the private sector lending allocable to the food and agricultural sectors was 26% and the proportion of private sector lending allocable to trade, industry and services was 27%. Loans to trade, industry and services and loans to the food and agricultural sectors are spread over a wide range of industries in many different countries. None of these individual sector shares represents more than 10% of the total private sector lending.

Amounts in millions of euros	*2020*		*2019*	
Total loans and advances to customers	**436,182**		**440,607**	
Of which:				
Loans to government clients	2,028		2,096	
Reverse repurchase transactions, securities borrowing agreements and settlement accounts	17,355		13,553	
Hedge accounting adjustment	7,419		7,044	
Loans to private sector clients	**409,380**		**417,914**	
This can be broken down geographically as follows:				
The Netherlands	293,739	72%	292,637	70%
Rest of Europe	34,027	8%	33,556	8%
North America	37,387	9%	41,681	10%
Latin America	11,852	3%	15,362	4%
Asia	7,456	2%	9,449	2%
Oceania	24,483	6%	24,663	6%
Africa	436	0%	566	0%
Total loans to private sector clients	**409,380**	**100%**	**417,914**	**100%**
Breakdown of loans by business sector				
Private individuals	192,205	47%	191,268	46%
Trade, industry and services (TIS)	111,748	27%	114,982	28%
Food & agri	105,427	26%	111,664	27%
Total loans to private sector clients	**409,380**	**100%**	**417,914**	**100%**

The loans to private individuals are almost all incorporated in the business segment Domestic retail banking and geographically in the Netherlands. The loans to TIS and food & agri are categorized by sector and business segment as follows:

Trade, Industry and Services Loan Portfolio Analyzed by Business sector

Amounts in millions of euros	*Domestic Retail Banking*	*W&R*	*Leasing*	*Property Development*	*Other Segments*	*Total*
On December 31, 2020						
Lessors of real estate	10,280	2,479	128	1	-	12,888
Finance and insurance (except credit institutions)	1,632	15,490	461	-	199	17,782
Wholesale	4,193	4,936	2,368	-	-	11,497
Activities related to real estate	3,987	1,435	156	-	-	5,578
Manufacturing	4,220	5,148	1,875	-	-	11,243
Transport and warehousing	4,008	1,264	1,652	-	-	6,924
Construction	3,461	1,125	1,569	118	-	6,273
Healthcare and social assistance	3,323	32	2,770	-	-	6,125
Professional, scientific and technical services	3,569	1,161	2,761	-	-	7,491
Retail (non-food)	3,293	927	1,350	-	-	5,570
Utilities	714	3,680	151	-	-	4,545
Information and communication	217	601	449	-	-	1,267
Arts, entertainment and leisure	967	264	382	-	-	1,613
Other TIS	7,139	2,542	3,271	-	-	12,952
Total	**51,003**	**41,084**	**19,343**	**119**	**199**	**111,748**

Amounts in millions of euros	*Domestic Retail Banking*	*W&R*	*Leasing*	*Property Development*	*Other Segments*	*Total*
On December 31, 2019						
Lessors of real estate	10,559	2,521	129	130	-	13,339
Finance and insurance (except credit institutions)	1,606	12,345	538	-	238	14,727
Wholesale	4,490	5,249	3,365	-	-	13,104
Activities related to real estate	3,692	1,459	176	-	-	5,327
Manufacturing	4,369	6,126	1,975	-	-	12,470
Transport and warehousing	4,305	1,580	1,923	-	-	7,808
Construction	3,456	984	1,644	127	-	6,211
Healthcare and social assistance	3,321	22	2,895	-	-	6,238
Professional, scientific and technical services	3,612	1,112	2,981	-	-	7,705
Retail (non-food)	3,596	1,120	1,558	-	-	6,274
Utilities	550	2,939	169	-	-	3,658
Information and communication	198	491	445	-	-	1,134
Arts, entertainment and leisure	993	235	406	-	-	1,634
Other TIS	7,029	4,208	3,441	-	675	15,353
Total	**51,776**	**40,391**	**21,645**	**257**	**913**	**114,982**

Food & Agri Loan Portfolio Analyzed by Business Sector

Amounts in millions of euros	*Domestic Retail Banking*	*W&R*	*Leasing*	*Property Development*	*Other Segments*	*Total*
On December 31, 2020						
Dairy	11,065	9,817	915	-	-	21,797
Grain and oil seeds	1,953	14,483	3,160	-	-	19,596
Animal protein	4,434	11,543	1,833	-	-	17,810
Fruit and vegetables	5,206	5,742	501	-	-	11,449
Farm inputs	1,883	6,046	3,220	-	-	11,149
Food retail	1,902	3,584	212	-	-	5,698
Beverages	37	2,271	155	-	-	2,463
Flowers	2,001	202	123	-	-	2,326
Sugar	6	2,520	39	-	-	2,565
Miscellaneous crop farming	108	425	1,090	-	-	1,623
Other food & agri	1,021	7,449	481	-	-	8,951
Total	**29,616**	**64,082**	**11,729**	**-**	**-**	**105,427**

Amounts in millions of euros	*Domestic Retail Banking*	*W&R*	*Leasing*	*Property Development*	*Other Segments*	*Total*
On December 31, 2019						
Dairy	11,093	11,499	855	-	-	23,447
Grain and oil seeds	1,889	16,365	2,922	-	-	21,176
Animal protein	4,505	11,535	1,597	-	-	17,637
Fruit and vegetables	4,879	6,432	473	-	-	11,784
Farm inputs	1,961	6,951	2,763	-	-	11,675
Food retail	1,814	4,112	239	-	-	6,165
Beverages	35	2,432	116	-	-	2,583
Flowers	2,166	214	124	-	-	2,504
Sugar	-	3,229	54	-	-	3,283
Miscellaneous crop farming	110	612	1,120	-	-	1,842
Other food & agri	1,219	7,813	536	-	-	9,568
Total	**29,671**	**71,194**	**10,799**	**-**	**-**	**111,664**

Derivatives
Rabobank sets strict limits for open positions, in amounts as well as in terms. If ISDA (International Swaps and Derivatives Association) standards apply or a master agreement including equivalent terms has been concluded with the counterparty, and if the jurisdiction of the counterparty permits offsetting, the net open position is monitored and reported. This credit risk is managed as part of the general lending limits for clients. Where needed, Rabobank obtains collateral or other credit enhancements to mitigate credit risks inherent in these transactions. The credit risk exposure represents the current fair value of all open derivative contracts showing a positive market value, taking into account master netting agreements enforceable under law.

Credit Related Contingent Liabilities
The financial guarantees and standby letters of credit that Rabobank provides to third parties in the event of a client being unable to fulfil their obligations to these third parties, are exposed to credit risk. Documentary and commercial letters of credit and written undertakings by Rabobank on behalf of clients that authorize third parties to draw bills against Rabobank up to a fixed amount and subject to specific conditions. As these transactions are secured by the delivery of the underlying goods to which they relate, the risk exposure of such an instrument is lower than that of a direct loan. From the moment that the documents have been accepted under the terms of the letters of credit, Rabobank recognizes an asset and a liability until the moment of payment.

Loan commitments are firm commitments to provide credit under pre-specified terms and conditions. Rabobank is exposed to credit risk when it promises to grant loans. The amount of any losses is likely to be lower than the total of the unused commitments because the commitments are made subject to the clients meeting certain loan conditions. Rabobank monitors the term to the expiry of loan commitments because long-term commitments generally involve higher risk than short-term commitments.

4.3.3 Credit Risk Exposure and Credit Quality
In its financing approval process, Rabobank Group uses the Rabobank Risk Rating, which reflects the risk of failure or the probability of default (PD) of the loan relation over a period of one year. The loan-quality categories are determined on the basis of the internal Rabobank Risk Rating. The Rabobank Risk Rating consists of 21 performance ratings (R0-R20) and four default ratings (D1-D4). The performance ratings assess the probability of default within a period of one year and the rating is determined, in principle, on a cyclically neutral basis. D1-D4 ratings refer to default classifications. D1 represents more than 90 days past due on a material contractual payment; D2 indicates that it is unlikely that the obligor will pay its debt in full, without recourse by the bank to actions such as realizing security; D3 indicates that a distressed sale or a distressed restructuring has occurred that likely results in a credit-related economic loss; and D4 indicates bankruptcy status. The default ratings make up the total credit-impaired exposure. The table below shows the credit quality of the financial assets subject to impairment disclosed in ranges of rating grades that is consistent with the number that is reported to key management personnel for credit risk management purposes. The gross carrying amount of the financial assets below also represent the maximum exposure to credit risk on these assets.

Credit Risk Profile per Internal Rating Grade of Loans and Advances to Credit Institutions

Amounts in millions of euros

On December 31, 2020	*Gross carrying amount*			
	Non credit-impaired		*Credit-impaired*	
	Subject to 12-month ECL	*Subject to lifetime ECL*	*Subject to lifetime ECL*	*Total*
R0-R1 (AAA)	176	-	-	176
R2-R4 (AA)	75	-	-	75
R5-R7 (A)	15,509	-	-	15,509
R8-R10 (BBB)	3,669	-	-	3,669
R11-R13 (BB)	1,080	1	-	1,081
R14-R16 (B+)	320	3	-	323
R17-R19 (B-)	134	1	-	135
R20 (CCC+)	-	-	-	-
Default ratings (D)	-	-	-	-
Non-rated	416	-	-	416
Total	**21,379**	**5**	**-**	**21,384**
On December 31, 2019				
R0-R1 (AAA)	9	-	-	9
R2-R4 (AA)	138	-	-	138
R5-R7 (A)	22,316	-	-	22,316
R8-R10 (BBB)	4,350	-	-	4,350
R11-R13 (BB)	1,352	-	-	1,352
R14-R16 (B+)	594	3	-	597
R17-R19 (B-)	141	8	-	149
R20 (CCC+)	-	-	-	-
Default ratings (D)	-	-	14	14
Non-rated	374	-	-	374
Total	**29,274**	**11**	**14**	**29,299**

Credit Risk Profile per Internal Rating Grade of Loans and Advances to Customers

Amounts in millions of euros

On December 31, 2020	*Gross carrying amount*			
	Non credit-impaired		*Credit-impaired*	
	Subject to 12-month ECL	*Subject to lifetime ECL*	*Subject to lifetime ECL*	*Total*
R0-R1 (AAA)	1,152	6	-	1,158
R2-R4 (AA)	9,508	20	-	9,528
R5-R7 (A)	73,579	503	-	74,082
R8-R10 (BBB)	131,574	2,419	-	133,993
R11-R13 (BB)	102,356	7,922	-	110,278
R14-R16 (B+)	53,720	13,176	-	66,896
R17-R19 (B-)	10,042	8,260	-	18,302
R20 (CCC+)	616	1,854	-	2,470
Default ratings (D)	-	-	13,507	13,507
Non-rated	3,198	51	-	3,249
Total	**385,745**	**34,211**	**13,507**	**433,463**
On December 31, 2019				
R0-R1 (AAA)	1,497	5	-	1,502
R2-R4 (AA)	10,289	22	-	10,311
R5-R7 (A)	51,656	214	-	51,870
R8-R10 (BBB)	137,852	584	-	138,436
R11-R13 (BB)	120,705	2,892	-	123,597
R14-R16 (B+)	63,091	7,650	-	70,741
R17-R19 (B-)	12,752	7,189	-	19,941
R20 (CCC+)	1,022	1,844	-	2,866
Default ratings (D)	-	-	15,090	15,090
Non-rated	3,131	17	-	3,148
Total	**401,995**	**20,417**	**15,090**	**437,502**

Credit Risk Profile per External Rating Grade of Financial Assets at Fair Value through Other Comprehensive Income

Amounts in millions of euros

On December 31, 2020	*Gross carrying amount*			
	Non credit-impaired		*Credit-impaired*	
	Subject to 12-month ECL	*Subject to lifetime ECL*	*Subject to lifetime ECL*	*Total*
AAA-A	14,358	175	-	14,533
BBB-B	396	-	-	396
CCC-C	-	-	-	-
D	-	-	-	-
Non-rated	230	-	-	230
Total	**14,984**	**175**	**-**	**15,159**
On December 31, 2019				
AAA-A	9,963	1,562	-	11,525
BBB-B	1,368	-	-	1,368
CCC-C	-	-	-	-
D	-	-	-	-
Non-rated	248	-	-	248
Total	**11,579**	**1,562**	**-**	**13,141**

Credit Risk Profile per Internal Rating Grade of Loan Commitments and Financial Guarantees

Amounts in millions of euros

On December 31, 2020	*Exposure to credit risk*			
	Non credit-impaired		*Credit-impaired*	
	Subject to 12-month ECL	*Subject to lifetime ECL*	*Subject to lifetime ECL*	*Total*
R0-R1 (AAA)	1,509	-	-	1,509
R2-R4 (AA)	1,904	-	-	1,904
R5-R7 (A)	10,760	27	-	10,787
R8-R10 (BBB)	16,913	260	-	17,173
R11-R13 (BB)	18,779	536	-	19,315
R14-R16 (B+)	5,882	1,431	-	7,313
R17-R19 (B-)	663	854	-	1,517
R20 (CCC+)	29	129	-	158
Default ratings (D)	-	-	664	664
Non-rated	12,420	-	-	12,420
Total	**68,859**	**3,237**	**664**	**72,760**
On December 31, 2019				
R0-R1 (AAA)	1,486	-	-	1,486
R2-R4 (AA)	1,991	-	-	1,991
R5-R7 (A)	10,853	65	-	10,918
R8-R10 (BBB)	17,022	103	-	17,125
R11-R13 (BB)	15,080	356	-	15,436
R14-R16 (B+)	5,944	590	-	6,534
R17-R19 (B-)	744	510	-	1,254
R20 (CCC+)	44	82	-	126
Default ratings (D)	-	-	480	480
Non-rated	10,301	2	-	10,303
Total	**63,465**	**1,708**	**480**	**65,653**

4.3.4 Impairment Allowances on Financial Assets and Credit Related Contingent Liabilities

In the next tables, a reconciliation from the opening balance to the closing balance of the impairment allowances of financial assets and credit related contingent liabilities is provided.

Impairment Allowances on Loans and Advances to Credit Institutions

Amounts in millions of euros

	Subject to 12-month ECL	Subject to lifetime ECL non-credit impaired	Subject to lifetime ECL credit impaired	**Total**
Balance on January 1, 2020	**1**	**1**	**1**	**3**
Increases due to origination and acquisition	1	-	-	1
Decreases due to derecognition	-	-	-	-
Changes due to change in credit risk	-	(1)	(1)	(2)
Write-off of defaulted loans during the year	-	-	-	-
Other changes	(1)	-	-	(1)
Balance on December 31, 2020	**1**	**-**	**-**	**1**
Balance on January 1, 2019	**1**	**1**	**20**	**22**
Increases due to origination and acquisition	1	-	-	1
Decreases due to derecognition	-	-	-	-
Changes due to change in credit risk	-	-	-	-
Write-off of defaulted loans during the year	-	-	(19)	(19)
Other changes	(1)	-	-	(1)
Balance on December 31, 2019	**1**	**1**	**1**	**3**

Impairment Allowances on Loans and Advances to Customers

Amounts in millions of euros

	Subject to 12-month ECL	Subject to lifetime ECL non-credit impaired	Subject to lifetime ECL credit impaired	Total
Balance on January 1, 2020	**369**	**346**	**3,225**	**3,940**
Increases due to origination and acquisition	232	11	131	374
Decreases due to derecognition	(97)	(72)	(206)	(375)
Changes due to change in credit risk	235	561	1,198	1,994
Write-off of defaulted loans during the year	(13)	(4)	(1,070)	(1,087)
Other changes	(6)	4	(144)	(146)
Balance on December 31, 2020	**720**	**846**	**3,134**	**4,700**
Balance on January 1, 2019	**270**	**239**	**3,226**	**3,735**
Increases due to origination and acquisition	87	6	144	237
Decreases due to derecognition	(60)	(69)	(266)	(395)
Changes due to change in credit risk	78	178	875	1,131
Write-off of defaulted loans during the year	(8)	(8)	(699)	(715)
Other changes	2	-	(55)	(53)
Balance on December 31, 2019	**369**	**346**	**3,225**	**3,940**

Impairment Allowances on Financial Assets at Fair Value through Other Comprehensive Income

Amounts in millions of euros

	Subject to 12-month ECL	Subject to lifetime ECL non-credit impaired	Subject to lifetime ECL credit impaired	Total
Balance on January 1, 2020	**1**	**1**	**-**	**2**
Increases due to origination and acquisition	1	2	-	3
Decreases due to derecognition	-	-	-	-
Changes due to change in credit risk	(1)	(1)	-	(2)
Write-off of defaulted loans during the year	-	-	-	-
Other changes	-	(2)	-	(2)
Balance on December 31, 2020	**1**	**-**	**-**	**1**
Balance on January 1, 2019	**2**	**1**	**-**	**3**
Increases due to origination and acquisition	4	-	-	4
Decreases due to derecognition	-	-	-	-
Changes due to change in credit risk	(5)	-	-	(5)
Write-off of defaulted loans during the year	-	-	-	-
Other changes	-	-	-	-
Balance on December 31, 2019	**1**	**1**	**-**	**2**

Impairment Allowances on Loan Commitments and Financial Guarantees

Amounts in millions of euros

	Subject to 12-month ECL	Subject to lifetime ECL non-credit impaired	Subject to lifetime ECL credit impaired	Total
Balance on January 1, 2020	**31**	**18**	**97**	**146**
Increases due to origination and acquisition	7	-	-	7
Decreases due to derecognition	(50)	(21)	(94)	(165)
Changes due to change in credit risk	50	27	81	158
Write-off of defaulted loans during the year	-	-	-	-
Other changes	(2)	(6)	4	(4)
Balance on December 31, 2020	**36**	**18**	**88**	**142**
Balance on January 1, 2019	**28**	**12**	**69**	**109**
Increases due to origination and acquisition	4	-	2	6
Decreases due to derecognition	(34)	(10)	(34)	(78)
Changes due to change in credit risk	33	16	66	115
Write-off of defaulted loans during the year	-	-	-	-
Other changes	-	-	(6)	(6)
Balance on December 31, 2019	**31**	**18**	**97**	**146**

The following table provides an overview of the significant changes in the gross carrying amount of loans and advances to customers during the period that contributed to changes in the total impairment allowance.

Changes in the Gross Carrying Amount of Loans and Advances to Customers

Amounts in millions of euros	*Gross carrying amount*			
	Non-credit-impaired		Credit-impaired	
	Subject to 12-month ECL	Subject to lifetime ECL	Subject to lifetime ECL	Total
Balance on January 1, 2020	**401,996**	**20,417**	**15,090**	**437,503**
Transfers of financial assets	(24,181)	22,983	1,198	-
New financial assets originated or acquired	128,983	3,154	2,061	134,198
Financial assets that have been derecognized	(112,600)	(11,645)	(3,337)	(127,582)
Write-offs	(14)	(4)	(924)	(942)
Other changes	(8,439)	(694)	(581)	(9,714)
Balance on December 31, 2020	**385,745**	**34,211**	**13,507**	**433,463**
Balance on January 1, 2019	**402,729**	**15,946**	**15,993**	**434,668**
Transfers of financial assets	(8,847)	7,312	1,536	1
New financial assets originated or acquired	122,673	4,710	1,821	129,204
Financial assets that have been derecognized	(111,335)	(7,651)	(3,400)	(122,386)
Write-offs	(12)	(8)	(693)	(713)
Transfers to assets held for sale	(4,412)	(83)	(292)	(4,787)
Other changes	1,200	191	125	1,516
Balance on December 31, 2019	**401,996**	**20,417**	**15,090**	**437,503**

4.3.5 Criteria for identifying a significant increase in credit risk (SICR)

The main parameter taken into account in the quantitative SICR assessment is the lifetime probability of default (PD) and its development from origination to reporting date. A relative change which is above a certain threshold is considered to be an indicator for a significant increase in credit risk. The comparison between the lifetime PD at origination and the lifetime PD at reporting date is done using the rating at the start of the financial instrument and the rating at reporting date while translating both into (point-in-time) PD curves. The threshold value has been determined on the basis of a percentage in proportion to the observed long term default rate (Central Tendency) of the portfolio. The following table presents the thresholds for each loan portfolio. These thresholds are the multipliers by which the lifetime PD needs to be increased to migrate from stage 1 to stage 2. The impact of COVID-19 has been analysed for all sectors worldwide to identify vulnerable sectors. Vulnerable sector exposures are considered to have a significant increase in credit risk and are placed in stage 2. See paragraph 2.1 for more information on staging and top-level adjustments.

SICR threshold per type of loan portfolio	*2020*	*2019*
Mortgage loans: Local banks	5.11	5.11
Mortgage loans: Obvion	3.28	3.28
Bridge loans	7.64	7.64
Corporate loans	2.26	2.26
Corporate loans: Income producing real estate	1.68	1.68
Corporate loans: Finance lease	3.34	3.57
Retail SME loans	2.50	2.50
Retail SME loans: Commercial real estate	2.25	2.25
Retail SME loans: Finance lease	3.17	3.23

4.3.6 Judgments and Estimates on Model Based Impairment Allowances on Financial Assets

Rabobank applies the three-stage expected credit loss impairment models for measuring and recognizing expected credit losses which involve a significant degree of management judgement. The impairment methodology results in the recognition of allowances measured at an amount equal to 12 month expected credit losses (stage 1); allowances measured at an amount equal to lifetime expected credit losses for financial assets for which credit risk has increased significantly since initial recognition but that are not credit-impaired (stage 2); and financial assets that are credit-impaired (stage 3). Rabobank uses estimates and management judgment in determining the expected credit loss in model-based impairment allowances for the elements disclosed below and expert judgement resulting in post-model adjustments for those described in paragraph 2.1.

Significant increase in credit risk

Transferring assets from stage 1 to stage 2 requires judgment. To demonstrate the sensitivity of the ECL to the PD thresholds, we ran an analysis, which assumed all assets were below the PD threshold and apportioned a 12 month ECL. On the same asset base, we ran an analysis which assumed all assets were above the PD threshold and apportioned a lifetime ECL. Both analyses were run without taking into account the impact of top-level adjustments and resulted in ECLs of EUR 912 million and EUR 1,976 million respectively.

Forward-looking information and macro-economic scenarios

Estimating expected credit losses for each stage and assessing significant increases in credit risk uses information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions (forward looking information). We use three, probability-weighted, macroeconomic scenarios (consisting of a baseline scenario, a baseline minus scenario and a baseline plus scenario) in our ECL models to determine the expected credit losses. Important variables are gross domestic product growth, unemployment rates and interest rates. These forward-looking macroeconomic forecasts require judgment and are largely based on internal Rabobank research. An analysis on the sensitivity of key forward-looking macroeconomic inputs used in the ECL modelling process for stage 1 and stage 2 provisioning and the probability-weights applied to each of the three scenarios is presented below without taking into account the impact of top-level adjustments. The countries included in the analysis are the most significant in terms of gross contribution to reportable ECL. Accordingly, Rabobank considers these portfolios to present the most significant risk of resulting in an adjustment to the carrying amount of financial assets.

Key macro-conomic inputs and related ECL pre TLA's

Netherlands		2021	2022	2023	ECL unweighted	Probability	Weighted ECL in millions of euro per December 31, 2020	Weighted ECL in millions of euro per December 31, 2019
Plus	GDP per capita	3.81%	3.05%	0.56%				
	Unemployment	4.26%	2.98%	1.84%	294	15%		
	Real Interest Rate	0.68%	0.02%	-0.16%				
Baseline	GDP per capita	2.21%	2.20%	1.39%				
	Unemployment	5.18%	5.35%	4.78%	377	70%	383	387
	Real Interest Rate	0.38%	-0.35%	-0.20%				
Minus	GDP per capita	0.11%	1.03%	2.60%				
	Unemployment	6.02%	7.54%	7.49%	504	15%		
	Real Interest Rate	-0.04%	-0.90%	-0.20%				

United States		2021	2022	2023	ECL unweighted	Probability	Weighted ECL in millions of euro per December 31, 2020	Weighted ECL in millions of euro per December 31, 2019
Plus	GDP per capita	3.64%	3.46%	1.10%				
	Unemployment	7.65%	4.99%	3.86%	130	15%		
	Real Interest Rate	-0.40%	-0.42%	0.09%				
Baseline	GDP per capita	2.42%	2.01%	1.27%				
	Unemployment	8.00%	5.90%	5.00%	147	70%	149	129
	Real Interest Rate	-0.70%	-1.07%	0.05%				
Minus	GDP per capita	0.80%	-0.03%	1.43%				
	Unemployment	8.38%	6.92%	6.27%	179	15%		
	Real Interest Rate	-1.09%	-1.98%	0.00%				

Brazil		2021	2022	2023	ECL unweighted	Probability	Weighted ECL in millions of euro per December 31, 2020	Weighted ECL in millions of euro per December 31, 2019
Plus	GDP per capita	3.41%	1.64%	0.25%				
	Unemployment	12.73%	8.44%	6.64%	60	15%		
	Real Interest Rate	-1.46%	2.19%	1.54%				
Baseline	GDP per capita	2.28%	1.61%	1.38%				
	Unemployment	13.29%	9.92%	8.47%	68	70%	68	32
	Real Interest Rate	-1.82%	1.98%	0.37%				
Minus	GDP per capita	0.77%	1.55%	2.92%				
	Unemployment	13.91%	11.55%	10.50%	78	15%		
	Real Interest Rate	-2.30%	1.63%	-1.02%				

Australia		2021	2022	2023	ECL unweighted	Probability	Weighted ECL in millions of euro per December 31, 2020	Weighted ECL in millions of euro per December 31, 2019
Plus	GDP per capita	2.98%	2.42%	1.07%				
	Unemployment	5.48%	3.86%	3.16%	14	15%		
	Real Interest Rate	0.47%	-0.24%	0.13%				
Baseline	GDP per capita	2.26%	1.62%	1.09%				
	Unemployment	6.31%	6.00%	5.80%	16	70%	17	15
	Real Interest Rate	0.11%	-0.99%	-0.10%				
Minus	GDP per capita	1.33%	0.61%	1.16%				
	Unemployment	7.23%	8.41%	8.77%	21	15%		
	Real Interest Rate	-0.34%	-1.93%	-0.33%				

A probability weighting of 10% for both the minus and plus scenario and a probability weighting of 80% for the baseline scenario, would decrease the total weighted ECL for stage 1 and 2 exposures by EUR 4 million. If the probability weighting for both the minus and plus scenario was 20% and 60% for the baseline scenario, it would increase the total weighted ECL for stage 1 and 2 exposures by EUR 4 million.

Gross carrying amount of loans to customers in stage 1 and stage 2

Amounts in millions of euros	*2020*	*2019*
Netherlands	289,076	285,312
United States	40,246	41,652
Brazil	7,124	8,860
Australia	15,812	15,686

Measurement of expected credit losses
The probability of default (PD), loss given default (LGD) and the exposure at default (EAD) are used to estimate expected credit losses as inputs for the ECL models. When unexpected external developments or data quality issues are not sufficiently covered by these ECL models, an adjustment will be made based on judgements and estimates. The mentioned inputs also require estimates in the following way:

- PD – The probability of default is an estimate of the likelihood of default over a given time horizon.
- LGD – The loss given default is an estimate of the loss arising when a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that Rabobank would expect to receive, including cash flows expected from collateral and other credit enhancements.
- EAD – The exposure at default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after reporting date due to prepayment.

The table below shows the impact on the ECL in the baseline scenario resulting from changes in probability of default (PD), collateral value and full prepayment rate.

Impact on ECL	*2020*	*2019*
PD rating 1 notch deterioration (PD)	333	265
PD rating 1 notch improved (PD)	(241)	(197)
Collateral value down by 10 % (LGD)	105	123
Collateral value up by 10% (LGD)	(80)	(80)
Full prepayment rate down by 50% (EAD)	32	34
Full prepayment rate up by 50% (EAD)	(28)	(30)

4.3.7 Credit risk mitigation

Rabobank's credit risk exposure is partly mitigated by obtaining collateral and other credit enhancements where necessary. The amount and nature of the collateral required depends partly on the assessment of the credit risk of the loan to the counterparty. Rabobank has guidelines in place for the purpose of accepting and valuing different types of collateral. The major types of collateral are:

- Mortgage collateral on residential immovable property;
- Mortgage collateral on commercial immovable property, pledges on movable property, inventories and receivables, mainly for corporate loans; and
- Cash and securities, mainly for derivatives, securities lending activities and reverse repurchase transactions.

Rabobank also uses credit derivatives to manage credit risks and enters into master netting arrangements with counterparties for a significant volume of transactions. In general, master netting arrangements do not lead to the offsetting of assets and liabilities included in the statement of financial position because transactions are usually settled gross except for transactions that meet the offsetting criteria as mentioned in paragraph 2.11. Credit risk is limited by master netting arrangements, but only to the extent that if an event or cancellation occurs, all amounts involving the counterparty are frozen and settled net. The total credit risk exposure from derivatives to which offsetting arrangements apply is sensitive to the closure of new transactions, the expiry of existing transactions and fluctuations in market interest and exchange rates.

The table below shows offsets which have been applied in the consolidated balance sheet and offsets which have not been applied in the statement of financial position, both limiting credit risk.

Offsetting of Financial Instruments

Amounts in millions of euros	Offset in the statement of financial position: Amount before offsetting	IAS 32 Offsetting	Net carrying amount	Not offset in the statement of financial position: Master netting agreements	Securities and cash collateral	Immovable property collateral	Other collateral	Financial guarantees	Net exposure
On December 31, 2020									
Loans and advances to credit institutions	21,383	-	21,383	-	(16,290)	-	-	-	5,093
Derivatives	141,714	(112,076)	29,638	(14,303)	(10,649)	-	-	-	4,686
Loans and advances to customers	442,964	(6,782)	436,182	-	(18,097)	(238,950)	(76,146)	(35,992)	66,997
Other assets	7,755	(248)	7,507	-	-	-	-	-	7,507
Total	**613,816**	**(119,106)**	**494,710**	**(14,303)**	**(45,036)**	**(238,950)**	**(76,146)**	**(35,992)**	**84,283**
Deposits from credit institutions	62,404	(1,242)	61,162	-	(431)	-	-	-	60,731
Deposits from customers	363,765	(2,737)	361,028	-	(694)	-	-	-	360,334
Derivatives	143,280	(114,878)	28,402	(14,303)	(14,818)	-	-	-	(719)
Other liabilities	6,895	(248)	6,647	-	-	-	-	-	6,647
Total	**576,344**	**(119,105)**	**457,239**	**(14,303)**	**(15,943)**	**-**	**-**	**-**	**426,993**
On December 31, 2019									
Loans and advances to credit institutions	29,297	-	29,297	-	(23,269)	-	-	-	6,028
Derivatives	111,906	(88,322)	23,584	(12,283)	(8,078)	-	-	-	3,223
Loans and advances to customers	447,727	(7,120)	440,607	-	(13,687)	(236,848)	(70,924)	(37,708)	81,440
Other assets	6,876	(266)	6,610	-	-	-	-	-	6,610
Total	**595,806**	**(95,708)**	**500,098**	**(12,283)**	**(45,034)**	**(236,848)**	**(70,924)**	**(37,708)**	**97,301**
Deposits from credit institutions	26,570	(1,326)	25,244	-	(1,505)	-	-	-	23,739
Deposits from customers	341,354	(2,818)	338,536	-	(20)	-	-	-	338,516
Derivatives	115,372	(91,298)	24,074	(12,283)	(11,130)	-	-	-	661
Other liabilities	7,101	(266)	6,835	-	-	-	-	-	6,835
Total	**490,397**	**(95,708)**	**394,689**	**(12,283)**	**(12,655)**	**-**	**-**	**-**	**369,751**

The next table shows the credit-impaired financial assets in relation to the collateral that is held as security to mitigate credit risk. In some cases, Rabobank has not recognised a loan impairment allowance for individually assessed exposures because of a surplus of collateral.

Collateral Held as Security and Other Credit Enhancements for Credit-impaired Financial Assets

Amounts in millions of euros	Gross carrying amount credit impaired financial assets	Impairment allowances	Carrying amount after deduction impairment allowance	Collateral held as security and other credit enhancements
On December 31, 2020				
Loans and advances to credit institutions	-	-	-	-
Loans and advances to customers	13,507	3,134	10,373	7,254
Financial assets at fair value through other comprehensive income	-	-	-	-
Total	**13,507**	**3,134**	**10,373**	**7,254**
On December 31, 2019				
Loans and advances to credit institutions	14	1	13	-
Loans and advances to customers	15,090	3,225	11,865	8,611
Financial assets at fair value through other comprehensive income	-	-	-	-
Total	**15,104**	**3,226**	**11,878**	**8,611**

The next table sets out the maximum exposure to credit risk to which Rabobank is exposed for financial instruments not subject to the IFRS 9 impairment requirements, without taking into account any collateral or other measures for restricting credit risk.

It also shows the financial effect of any collateral provided or other types of credit risk reduction. In some cases the amounts stated deviate from the carrying amounts as presented in the statement of financial position because the outstanding equity instruments are not included in the maximum exposure to credit risk.

Maximum Exposure to Credit Risk of Financial Assets Not Subject to Impairment

Amounts in millions of euros	*Maximum exposure to credit risk*	*Collateral held as security and other credit enhancements*
On December 31, 2020		
Financial assets held for trading	2,356	-
Financial assets designated at fair value	1	-
Financial assets mandatorily at fair value	1,208	208
Derivatives	29,638	10,649
Total	**33,203**	**10,857**
On December 31, 2019		
Financial assets held for trading	1,811	-
Financial assets designated at fair value	1	-
Financial assets mandatorily at fair value	1,143	46
Derivatives	23,584	8,078
Total	**26,539**	**8,124**

Write-off Policy

Rabobank writes off loans when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include (i) ceasing enforcement activity and (ii) where the recovery method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full. Rabobank may write-off loans that are still subject to enforcement activity. The outstanding contractual amounts of partly or wholly written off assets during 2020 was EUR 476 million.

Rabobank acquired financial and non-financial assets during the year by taking possession of collateral with an estimated value of nil as per 31 December 2020 (2019: EUR 2 million). It is Rabobank policy to sell these assets in the reasonably foreseeable future. Yields are allocated to repaying the outstanding amount.

4.3.8 Modified Assets

The risk of default of modified assets is assessed at the reporting date and compared with the risk under the original terms at initial recognition. Rabobank monitors the subsequent performance of these forborne modified assets and may determine that the credit risk has significantly improved, so that the assets are moved from stage 3 or stage 2 (Lifetime ECL) to stage 1 (12-month ECL). The gross carrying amount of such assets held as at 31 December 2020 was EUR 102 million (2019: EUR 37 million).

The following table includes summary information for financial assets with lifetime ECL whose cash flows were modified during the period and their respective effect on financial performance:

Financial Assets Modified While Loss Allowance Measured at Lifetime ECL

Amounts in millions of euros	*2020*	*2019*
Amortized cost before modification	1,043	924
Net modification gain/ loss	(3)	5
Financial assets modified since initial recognition	**1,040**	**929**

4.3.9 External developments potentially affecting credit risk

Climate risk

The phenomenom of climate risk has not yet been structurally embedded in our risk framework, but we are currently working on embedding the climate risk in our risk framework, which will support the business with strategic decisions, next to steering and taking risk mitigations. We have developed a medium term roadmap to achieve this goal. The roadmap takes into account the ECB Guide on climate-related and environmental risks. Risk identification is the first step in our risk management process.

Climate risk has been identified as strategic risk: existing risks that are rapidly changing or evolving in an escalating fashion, which are difficult to assess due to limited data or other uncertainties. Given the pervasive, multi-dimensional nature of climate risk, we do not view it as a stand-alone risk category but a driver of existing risk categories in our risk taxonomy - Credit, Market, Liquidity, Strategic, Operations, Compliance, and Reputation risks. Each of these risk categories may be influenced by physical and transition climate risks.

Climate risk measurement is at an incipient stage of development and there is no standard for climate metrics. The data gaps are significant, and that is particularly the case for our portfolio (residential mortgages, SME in Food & Agri and Trade, Industry and Services). Our Dutch Residential Real Estate portfolio together with our Dutch and International F&A portfolios have the largest potential climate impact and account for over 71% of our balance sheet exposure. To address these challenges Rabobank has set up a dedicated sustainability data and analytics team as part of the climate program. In 2020 the team focused on taking stock of the internal and external data availability, defining the gap with the climate data needs and developing a roadmap to work towards client level data and close all relevant gaps in the coming years.

As long as structured climate risk data is not available for a longer period, climate risk can not be used as an input for our ECL models. However, if climate risk has an impact on our ECLs it will be added via a top-level adjustment.

Brexit
On January 31, 2020 the U.K. left the E.U. and entered the transition period that expired at year-end 2020. During the transition period, the U.K. and the E.U. negotiated their future relationship. Only at the very last moment under large time pressure an agreement was reached and a Hard Brexit could be avoided. We anticipate a negative economic impact for the U.K. and for the Netherlands too, as one of its main trading partners, and it is likely that our clients with U.K. interests will face many uncertainties in 2021. Brexit is incorporated in the used macro-economic scenarios leading to higher expected credit losses.

Trade War
Trade wars in general and in specific the relationship between the economic powers U.S. and China could have an effect on the well-being of our clients. The relationship between the U.S. and China has worsened in 2020. This development was caused by the outbreak of the Covid-19 pandemic, the world recession, and China's backlog on implementing the Phase I deal of January 2020. As of this moment it is still not clear how the new U.S. administration will manage the relationship with China in the coming years, however a continued tough approach is to be expected. We continue to monitor the developments and its possible effect on ourselves and our clients.

Interest Only Mortgages
Within the well-performing residential mortgage portfolio, the interest-only mortgages carry the highest risk, especially when the LTV is high (> 80%) and the client is approaching retirement (leading to an income decrease). We approach these clients individually to make them aware of this risk and to seek possibilities to prevent possible problems in the coming period. To a certain extent, the current low interest rate on savings accounts helps to convince these clients to amortize part of their mortgage. Given the risks related to interest-only mortgages, we are continually analyzing this part (~55%) and specifically the very high risk share (~8%) of the portfolio, and applying models to identify increased risk rapidly. The additional identified credit risk is translated in a top-level adjustment of EUR 14 million per 31 December 2020.

Nitrogen (PAS)
Although COVID-19 and the economic fall-out of the pandemic currently have the highest priority on the Dutch government's agenda, the nitrogen emission problem has not been forgotten. More than EUR 2 billion will be invested by the Dutch government in the coming years to structurally reduce nitrogen emission in the most important sectors (agriculture, industry, mobility and construction). By doing this, nature will be recovered and strengthened and new economic developments will be made possible. Specifically for agriculture there will be grants for farmers that would like to switch to more sustainable business models and for those who would like to stop farming. The ultimate goal of the government is that in 2030 at least 50% of so-called Natura 2000 areas experience acceptable nitrogen depositions. We are closely following developments and their possible impact on our portfolio. Per 31 December 2020 no top-level adjustment was needed.

4.4 Non-Trading Foreign Exchange Rate risk (FX risk)

FX risk is the risk that exchange rate movements could lead to volatility in the bank's cash flows, assets and liabilities, net profit and/ or equity. The bank distinguishes two types of non-trading FX risks: (i) FX risk in the banking books and (ii) FX translation risk.

Foreign Exchange Risk in the Banking Books
FX risk in the banking books, is the risk where known and/ or ascertainable currency cash flow commitments and receivables in the banking books are unhedged. As a result, movements in exchange rates could have an adverse impact on Rabobank's financial results and/ or financial position.

Foreign Exchange Translation Risk
FX translation risk is the risk that FX fluctuations will adversely affect the translation of assets and liabilities of operations – denominated in foreign currency – into the functional currency of the parent company. Translation risk pertains to Rabobank's equity position, risk weighted assets and capital ratios.

Rabobank manages its FX translation risk with regard to the Rabobank Consolidated CET1 ratio by deliberately taking FX positions, including deliberately maintaining FX positions. As a result of these structural FX positions, the impact of exchange rate on Rabobank Consolidated CET1 ratio is mitigated.

FX translation risk level is covered by the Global Standard on FX Translation Risk which outlines Rabobank's Global policy towards FX Translation risk to achieve and ensure a prudent and sound monitoring and controlling system, in order to manage these risks. Rabobank uses a pillar 2 framework for those areas where Rabobank is of the opinion that the regulatory framework (i.e. pillar 1) does not address the risk, or does not adequately address the risk. FX translation risk is one of these risks.

4.5 Interest Rate Risk in the Banking Environment

"Interest rate risk in the banking environment" refers to the risk that the financial results and/or the economic value of the banking book are adversely affected by changes in market interest rates.

Interest rate risk at Rabobank arises because of repricing and maturity mismatches between loans and funding, and optionality in client products. Customer behavior is an important determining factor with respect to interest rate risk in the banking environment. The modelling of customer behavior is therefore one of the core elements of the interest rate risk framework. There are behavioral models in place for mortgage prepayments, savings accounts and current accounts. Movements in interest rates may also affect the creditworthiness of customers. Higher interest rates might for example lead to higher borrowing costs and, hence, have a negative impact on the creditworthiness of a customer. This effect is however regarded as credit risk rather than interest rate risk.

Rabobank accepts a certain amount of interest rate risk in the banking environment; this is a fundamental part of banking. But at the same time the bank also aims to avoid unexpected material fluctuations in the financial result and the economic value because of interest rate fluctuations. The Managing Board, overseen by the Supervisory Board, therefore annually approves the interest rate risk appetite and the corresponding interest rate risk limits.

At group level, Rabobank's interest rate risk is managed by the Asset and Liability Committee Group chaired by the Chief Financial Officer. Treasury is responsible for implementing the decisions of this committee, while Risk Management is responsible for monitoring the interest rate risk position.

Economic value of equity as a measure for managing interest rate risk differs from the accounting value of equity. For interest rate risk management, the economic value of equity is defined as the present value of the assets minus the present value of the liabilities together with the present value of the off-balance-sheet items. Through the use of hedge accounting and as a large proportion of the balance sheet is carried at amortized cost (in IFRS terms), a loss in economic value does not automatically equate with accounting losses.

As part of its interest rate risk policy, Rabobank uses the following indicators for managing and controlling interest rate risk:

- Earnings at risk: the EaR is the largest deviation in negative terms of the expected net interest income in the next 12 months as a result of different interest rates scenarios;
- Modified duration of equity; and
- Basis point value (BPV).

Sections 4.5.1 and 4.5.2 provide further details on "Earnings at risk" and "Modified duration and BPV" developments.

4.5.1 Earnings at Risk

Earnings at risk is calculated once a month based on a standard interest-rate-sensitivity analysis. This analysis shows the main reduction of the projected interest income over the next 12 months triggered by a set of scenarios: one in which all market interest rates gradually increase by two percentage points, by a scenario in which all market interest rates gradually decrease by a maximum of two percentage points (interest rates in this scenario are floored at levels deemed as realistic), and by two scenarios in which the yield curve steepens or flattens.

In 2020, Rabobank's net interest income was most sensitive to the interest rate down scenario. Earnings at Risk amounted to EUR 74 million on December 31st, 2020, higher than the Earnings at Risk on December 31st, 2019 (EUR 35 million). This increase was mainly driven by changes in the composition of the balance sheet. The EaR position remained comfortably within risk appetite limits.

Earnings at Risk

	December 31, 2020	*December 31, 2019*
Earnings at Risk	74	35
Split by main currencies		
Earnings at Risk – EUR	75	28
Earnings at Risk – USD	-	3

4.5.2 Modified Duration

Modified duration (MD) of equity indicates the reduction of economic value of equity in percentage points if money market and capital market interest rates increase by one percentage point. The Managing Board has set an upper MD limit of 6%. Additional limits apply for the basis point value (BPV) of equity and the delta profile (BPV per tenor) of equity.

During 2020 Modified duration had decreased by 2.9% (from 3.0% on December 31st, 2019 to 0.1% on December 31st, 2020 and BPV has changed from EUR -11.9 mln to EUR -0.3 mln. This was the outcome of several effects such as changes in strategic interest rate risk positioning, updates in behavioural assumptions and market developments.

Modified Duration (%) and BPV

(in million EUR)	*December 31, 2020*	*December 31, 2019*
Modified Duration (%)	0.1%	3,00%
BPV	-0.3	-11.6
Split by main currencies		
BPV – EUR	-2.1	-11.8
BPV– USD	1.8	0.9

4.6 Market Risk in the Trading Environment

Market Risk arises from the risk of losses on trading book positions affected by movements in interest rates, equities, credit spreads, currencies and commodities. Risk positions acquired from clients can either be redistributed to other clients or dynamically managed by hedging. The trading desks are act as a market-maker for secondary markets (by providing liquidity and pricing) in interest rate derivatives and debt, including Rabobank Bonds and Rabobank Certificates.

Market risk in the trading environment is monitored daily within the market risk framework, which is put in place to measure, monitor and manage market risk in the trading books. This framework contains all derivatives in trading books, bond trading books, and loan syndication books. An important part of the framework is an appropriate system of limits and trading controls. The relevant risk appetite limits are translated into limits and trading controls at book level and are monitored on a daily basis by market risk departments.

Due to Rabobank's strategy of client risk redistribution, risk hedging and the low secondary market activity, risk appetite for market risk is modest. The market risk exposure of the trading portfolio is well within our risk appetite boundaries. If limits are breached, remedial actions will be stipulated to decrease the chance of large actual losses. The risk position is reported to senior management and discussed in the various risk management committees each month. Risk developments that require ad hoc attention are communicated accordingly outside the regular reporting cycle.

At the consolidated level, the risk appetite is defined for event risk trading, event risk underwriting, VaR and interest rate delta.

Rabobank considers Event Risk the most important indicator for market risk in the trading environment. It is instrumental in gauging the impact of extreme, yet plausible predefined moves in market risk factors on the P&L of individual trading portfolios. These moves are reflected in scenarios which capture risk drivers such as tenor basis swap spreads, interest rates, foreign exchange, credit spreads, volatility and interest rate curve rotation. Depending on the scenario, individual risk factors or multiple risk factor categories will be stressed.

The event risk, which is measured by performing sensitivity analyses and stress tests was EUR 61 million on December 31, 2020, well within the set limit. It fluctuated between EUR 59 million and EUR 104 million with an average of EUR 79 million.

The VaR indicates the maximum loss for a given confidence level and horizon under "normal" market conditions, based on one year of historical market movements. Daily risk management uses a confidence level of 97.5% and a horizon of 1 day. Under this method, VaR is calculated on the basis of historical market movements and the positions taken. The table below presents the composition of the VaR. In 2020, the VaR fluctuated between EUR 2.7 million and EUR 7.5 million, the average being EUR 4.8 million. The VaR amounted to EUR 4.2 million on December 31, 2020.

VAR (1 day, 97.5%) (amounts in millions of euros)

	Interest	*Credit*	*Currencies*	*Shares*	*Commodities*	*Diversification*	*Total*
December 31, 2020	3.5	1.7	0.3	0.0	0.5	(1.7)	4.2
2020 – average	4.0	1.8	0.3	0.0	0.4		4.8
2020 – highest	6.4	4.0	0.8	0.0	2.4		7.5
2020 – Lowest	2.9	0.4	0.1	0.0	0.1		2.7
December 31, 2019	3.4	0.7	0.2	0.0	0.2	(1.4)	3.2
2019 – average	2.9	1.4	0.2	0.0	0.2	-	3.0
2019 – highest	3.9	3.1	1.9	0.0	1.2	-	4.3
2019 – Lowest	2.1	0.7	0.0	0.0	0.1	-	2.3

The interest rate delta is a measure of the change in the value of positions if there is a parallel increase in the yield curve of 1 basis point (i.e. 0.01 percentage point). The interest rate delta table shows the sensitivity to changes in the yield curves for the major currencies. On December 31, 2020, the interest rate delta for trading books was EUR 34 thousand negative. The interest rate delta remained well within the set limit during the reporting period.

Interest Rate Delta

Amounts in millions of euros	*December 31, 2020*	*December 31, 2019*
EUR	0.1	(0.2)
USD	0.0	0.0
AUD	0.0	0.0
Other	(0.1)	0.1
Total	**0.0**	**(0.1)**

4.7 Liquidity Risk

Liquidity risk is the risk that Rabobank will not be able to meet all of its payment and repayment obligations on time, as well as the risk that Rabobank will not be able to fund increases in assets at a reasonable price, if at all. This could happen if, for instance, customers or professional counterparties suddenly withdrew more funds than expected which could not be absorbed by the bank's cash resources, by selling or pledging assets in the market or by borrowing funds from third parties. Rabobank considers an adequate liquidity position and retaining the confidence of both professional market parties and retail customers to be crucial in ensuring unimpeded access to the public money and capital markets.

The liquidity risk policy focuses on financing assets using stable funding, i.e., funds entrusted by customers and long-term wholesale funding. Liquidity risk is managed based on several components.

A key component is to maintain a substantial high-quality buffer of liquid assets. Besides credit balances held at central banks, these assets can be pledged to central banks, in repo transactions, or to be sold directly in the market to generate liquidity immediately. The size of the liquidity buffer is attuned to the risk Rabobank is exposed to in its balance sheet. In addition Rabobank has securitized a portion of the mortgage portfolio internally, which means it can be pledged to the central bank, thereby serving as an additional liquidity buffer. Since this concerns retained securitizations, it is not reflected in the consolidated balance sheet.

The next component for managing liquidity risk consists of a good credit rating, high capital levels and prudent funding policies. Rabobank takes various measures to avoid becoming overly dependent on a single source of funding. These include balanced diversification of financing sources regarding maturity, currencies, investors, geography and markets, a high degree of unsecured funding and therefore limited asset encumbrance, and an active and consistent investor-relations policy.

The other components include setting strict limits for the maximum outgoing cash flows within the wholesale banking business. Among other things, Rabobank measures and reports on a daily basis what incoming and outgoing cash flows can be expected during the next twelve months. Limits have been set for these outgoing cash flows, including for each currency and each location. Detailed plans (the contingency funding plans) have been drawn up for contingency funding to ensure the bank is prepared for potential crisis situations. Periodic operational tests are performed for these plans.

Scenario analyses are performed each month to determine the potential consequences of a wide range of stress scenarios. The analyses cover market-specific scenarios, Rabobank-specific scenarios and a combination of both. Monthly reports on the Group's overall liquidity position are submitted to the Dutch Central Bank. These reports are prepared in accordance with the guidelines drawn up by this supervisory authority.

The table below shows the undiscounted liabilities grouped according to the remaining liquidity period from the reporting date to the expected contract repayment date. The total amounts do not correspond exactly with the amounts in the consolidated statement of financial position because this table is based on undiscounted contractual cash flows relating to both principal and future interest payments. Derivatives are not included in this table and have not been analyzed on the basis of the contractual due date, because they are not essential for the management of liquidity risk or for reporting to senior management. The maturity profile of derivatives used for cash flow hedging is disclosed in Section 11.3 Derivatives Designated as Hedging Instrument.

Contractual Repayment Date

Amounts in millions of euros	*On demand*	*Less than 3 months*	*3 months to 1 year*	*1 - 5 years*	*Longer than 5 years*	*No maturity applicable*	*Total*
On December 31, 2020							
Liabilities							
Deposits from credit institutions	2,971	1,004	2,435	44,358	628	9,955	61,351
Deposits from customers	309,893	10,186	11,219	7,303	23,748	705	363,054
Debt securities in issue	8,194	10,426	23,068	44,777	35,169	-	121,634
Other liabilities (excluding employee benefits and lease liabilities)	1,751	1,640	1,307	324	60	632	5,714
Lease liabilities	1	14	32	220	271	-	538
Financial liabilities held for trading	-	998	-	-	-	-	998
Financial liabilities designated at fair value	15	175	1,361	1,577	2,406	-	5,534
Subordinated liabilities	23	54	2,482	7,843	7,824	-	18,226
Total financial liabilities	**322,848**	**24,497**	**41,904**	**106,402**	**70,106**	**11,292**	**577,049**
Financial guarantees	3,381	-	-	-	-	-	3,381
Loan commitments	41,877	-	-	-	-	-	41,877

Amounts in millions of euros	*On demand*	*Less than 3 months*	*3 months to 1 year*	*1 - 5 years*	*Longer than 5 years*	*No maturity applicable*	*Total*
On December 31, 2019							
Liabilities							
Deposits from credit institutions	4,491	1,649	3,410	7,130	818	7,986	25,484
Deposits from customers	282,651	15,767	7,475	9,360	24,584	1,278	341,115
Debt securities in issue	8,595	13,099	23,221	60,413	35,912	-	141,240
Other liabilities (excluding employee benefits and lease liabilities)	2,297	1,384	362	660	265	756	5,724
Lease liabilities	2	19	34	198	319	4	576
Financial liabilities held for trading	-	399	-	-	-	-	399
Financial liabilities designated at fair value	114	248	800	2,724	3,271	-	7,157
Subordinated liabilities	31	59	1,574	7,474	12,717	-	21,855
Total financial liabilities	**298,181**	**32,624**	**36,876**	**87,959**	**77,886**	**10,024**	**543,550**
Financial guarantees	3,726	-	-	-	-	-	3,726
Loan commitments	35,089	-	-	-	-	-	35,089

The table below shows assets and liabilities grouped according to the period remaining from the reporting date to the contractual repayment date. These amounts correspond to the amounts included in the Consolidated Statement of Financial Position.

Current and Non-current Financial Instruments

Amounts in millions of euros	*On demand*	*Less than 3 months*	*3 months to 1 year*	*1 - 5 years*	*Longer than 5 years*	*No maturity applicable*	*Total*
On December 31, 2020							
Financial assets							
Cash and cash equivalents	108,138	16	-	-	-	312	108,466
Loans and advances to credit institutions	10,599	7,424	1,034	56	94	2,176	21,383
Financial assets held for trading	4	23	98	574	1,657	180	2,536
Financial assets designated at fair value	-	-	1	-	-	-	1
Financial assets mandatorily at fair value	126	29	569	39	487	825	2,075
Derivatives	1,963	2,200	3,695	3,520	18,260	-	29,638
Loans and advances to customers	35,288	15,287	36,179	106,376	234,149	8,903	436,182
Financial assets at fair value through other comprehensive income	389	710	2,027	4,877	7,158	334	15,495
Other assets (excluding employee benefits)	631	1,150	862	1,688	129	3,043	7,503
Total financial assets	**157,138**	**26,839**	**44,465**	**117,130**	**261,934**	**15,773**	**623,279**
Financial liabilities							
Deposits from credit institutions	2,969	999	2,410	44,263	565	9,956	61,162
Deposits from customers	309,882	10,189	11,132	6,956	22,164	705	361,028
Debt securities in issue	8,162	10,328	22,592	40,972	31,467	-	113,521
Derivatives	2,208	2,271	3,038	4,502	16,370	13	28,402
Financial liabilities held for trading	-	998	-	-	-	-	998
Other liabilities (excluding employee benefits and lease liabilities)	1,774	1,677	1,371	385	83	632	5,922
Lease liabilities	1	13	28	198	264	-	504
Financial liabilities designated at fair value	15	175	1,311	1,559	2,115	-	5,175
Subordinated liabilities	-	-	1,999	6,201	5,286	-	13,486
Total financial liabilities	**325,011**	**26,650**	**43,881**	**105,036**	**78,314**	**11,306**	**590,198**
Net balance	**(167,873)**	**189**	**584**	**12,094**	**183,620**	**4,467**	**33,081**

Amounts in millions of euros	*On demand*	*Less than 3 months*	*3 months to 1 year*	*1 - 5 years*	*Longer than 5 years*	*No maturity applicable*	*Total*
On December 31, 2019							
Financial assets							
Cash and cash equivalents	62,553	9	3	-	-	521	63,086
Loans and advances to credit institutions	18,288	7,634	1,126	164	169	1,916	29,297
Financial assets held for trading	28	160	151	628	844	59	1,870
Financial assets designated at fair value	-	-	1	-	-	-	1
Financial assets mandatorily at fair value	45	64	440	89	538	729	1,905
Derivatives	1,081	1,003	1,488	4,023	15,989	-	23,584
Loans and advances to customers	34,852	16,215	37,239	106,628	237,986	7,687	440,607
Financial assets at fair value through other comprehensive income	478	1,021	2,234	7,889	1,519	364	13,505
Other assets (excluding employee benefits)	67	1,317	1,507	1,376	170	2,167	6,604
Total financial assets	**117,392**	**27,423**	**44,189**	**120,797**	**257,215**	**13,443**	**580,459**
Financial liabilities							
Deposits from credit institutions	4,489	1,642	3,378	6,977	772	7,986	25,244
Deposits from customers	282,565	15,763	7,423	8,934	22,573	1,278	338,536
Debt securities in issue	8,530	12,887	23,716	55,065	30,205	-	130,403
Derivatives	1,293	1,121	1,598	5,426	14,602	34	24,074
Financial liabilities held for trading	-	399	-	-	-	-	399
Other liabilities (excluding employee benefits and lease liabilities)	2,159	1,478	532	845	292	757	6,063
Lease liabilities	2	18	30	174	317	1	542
Financial liabilities designated at fair value	114	233	772	2,477	2,732	-	6,328
Subordinated liabilities	-	-	1,012	5,293	9,485	-	15,790
Total financial liabilities	**299,152**	**33,541**	**38,461**	**85,191**	**80,978**	**10,056**	**547,379**
Net balance	**(181,760)**	**(6,118)**	**5,728**	**35,606**	**176,237**	**3,387**	**33,080**

The overview presented above was composed based on contractual information and does not represent the actual behavior of these financial instruments. However, this is accounted for in the day-to-day management of liquidity risk. Customer savings are an example. Under contract, these are payable on demand. Experience has shown that they are a very stable source of long-term financing for Rabobank. The liquidity regulations of the supervisory authority also factor this in.

With a Liquidity Coverage Ratio (LCR) of 193% as per December 31, 2020 (2019: 132%), Rabobank complies with the minimum 100% requirement as set by the Dutch Central Bank (DNB).

The liquidity requirements to meet payments under financial guarantees are considerably lower than the notional amount of the liabilities because Rabobank does not generally expect that third parties to such arrangements will draw funds. The total outstanding amount in contractual obligations to provide credit does not necessarily represent Rabobank's future cash resource needs because many of these obligations will lapse or terminate without financing being required.

4.8 Operational Risk

Exposure to operational risks is an inevitable part of Rabobank's business activities. Operational Risk is the risk of financial, regulatory and reputation impact due to inadequate or failing processes, people, systems and/or external events. Rabobank minimizes this risk within the boundaries set by the Bank's risk appetite, in the context of the complexity and size of the organization. Rabobank has a Risk and Control Framework (RCF) in place to actively manage and control operational risks, further supported by policies, procedures, limits and control structures. With mentioned size and complexity of the organization, Rabobank has a tolerance for operational risk losses not to exceed approximately 1.5% of the budgeted annual gross income. Considering the scale of the Bank and complexity of its business activities, the Bank has multiple Risk Appetite Statement (RAS) metrics to set the boundaries of accepted risk levels.

Rabobank's RCF is mandatory for all business units (including subsidiaries) and central support functions. The RCF supports the management of operational risks within the accepted risk levels. The RCF sets mandatory requirements for risk and control activities, enabling the organization to manage its operational risks efficient and effectively using a forward-looking and integrated approach. Quarterly In Control meetings by the risk owners are in place to manage and steer on operational risks. Through this structure, the Bank manages its current existing operational risks as well as identifies and prepares for new emerging risks.

Uniform and consistent risk control activities result in the effective and efficient management of various types of operational risks and an acceptable balance between risks and controls within the organization. RCF improves the overall efficiency and effectiveness of Rabobank's daily business activities and helps to become a better learning organization.

Anti-Money Laundering, Counter Terrorism Financing & Sanctions

Rabobank's role as a gatekeeper to the financial system is a top priority for the bank. Furthering a foundation for compliance with applicable laws and regulations and good customer service, Rabobank has substantially improved its KYC (Know Your Customer) activities and increased its investments in KYC compliance in recent years. The bank operates a global program to enhance the quality of our client files and data to identify (potential) criminal activity.

In September 2018, Rabobank received an injunction ('last onder dwangsom') from De Nederlandsche Bank (DNB). Commencing from 1 April 2020, DNB carried out an investigation related to whether Rabobank met the requirements of the aforementioned injunction. Despite our efforts, DNB determined that Rabobank did not meet the requirements of the injunction. As a result, a penalty ('dwangsom') of EUR 500,000 has been forfeited.

Nonetheless, Rabobank continued to substantially invest in its KYC activities in 2020, both in terms of dedicated resources and the further automation and innovation of processes, allocating 380 million EUR over the year, excluding front office activities and subsidiaries. The program also includes initiatives to uplift our global Anti-Money Laundering/Counter Terrorism Financing (AML/CTF) and Sanctions framework. As such, Rabobank on-boarded and trained an additional workforce of around 800 KYC employees in the Retail Netherlands domain, increasing the total number of individuals dedicated to KYC activities worldwide around 4000. Rabobank also reported an increased number of unusual transactions to the Financial Intelligence Unit (FIU). In addition, Rabobank's KYC activities have been upgraded, deepening the (thematic) investigations such as into high-risk cash-intensive sectors. Furthermore, Rabobank has modified its client exit policies and processes.

Whilst Rabobank has made improvements, much still remains to be done. Rabobank will therefore continue its dedication to, and investment in its KYC program. This program is being executed under the direct responsibility of the Managing Board. The program assigns clear responsibilities and activities to each line in accordance with the 3LoR model. First line takes risks, owns risks and manages risks and returns. Second line provides risk and compliance governance, challenges and advises on risk taking and monitors the risk profiles. Third line provides independent assurance, advice and insights via (periodic) assessments. The Supervisory board has set up a (temporary) committee to support its management. Going forward, DNB will also continue to supervise Rabobank's KYC program. In 2021, Rabobank will continue to invest in its KYC activities and advanced technology, which will increasingly enable us to detect transaction patterns which were otherwise not visible or detected as unusual. Rabobank will sustain its focus on quality assurance and will increase the effectiveness and efficiency of processes. Emphasis will be placed on adjusting Rabobank's risk appetite and the Systematic Integrity Risk Analysis (SIRA) as well as on continuously monitoring of clients and timely detection of unusual activities. Moreover, we will promote even closer cooperation between banks and various parties in the public sector. This joint effort is essential in reinforcing our common fight against financial and economic crime.

4.9 Fair Value of Financial Assets and Liabilities

For fair value measurement Rabobank assumes that the transaction to sell the asset or transfer the liability is conducted in the principal market for the asset or liability, or in the most advantageous market if no principal market exists.

Market prices are not available for a large number of the financial assets and liabilities that Rabobank holds or issues. For financial instruments for which no market prices are available, the fair values shown in the following table have been estimated using the present value or the results of other estimation and valuation methods, based on the market conditions on the reporting date. The values produced using these methods are highly sensitive to the underlying assumptions used for the amounts and for the timing of future cash flows, discount rates and possible market illiquidity. The following methods and assumptions have been used.

Cash and Cash Equivalents.
The fair value of cash and cash equivalents is assumed to be almost equal to their carrying amount. This assumption is used for highly liquid investments and also for the short-term component of all other financial assets and liabilities.

Loans and Advances to Credit Institutions.
Loans and advances to credit institutions also includes interbank placings and items to be collected. The fair values of floating rate placings, that are repriced regularly and do not vary significantly in terms of credit risk, and overnight deposits are their carrying amounts. The estimated fair value of fixed-interest deposits is based on the present value of the cash flows, calculated based on appropriate money market interest rates for debts with comparable credit risks and terms to maturity.

Financial Assets and Derivatives Held for Trading.
Financial assets held for trading are carried at fair value based on available quoted prices in an active market. If quoted prices in an active market are not available, the fair value is estimated based on discounted cash flow models and option valuation models.

Derivatives are recognized at fair value determined on the basis of listed market prices (mid-prices are used for EUR, USD and GBP derivatives that have a bid-ask range), prices offered by traders, discounted cash flow models and option valuation models based on current market prices and contract prices for the underlying instruments and reflecting the time value of money, yield curves and the volatility of the underlying assets and liabilities.

Credit valuation adjustments (CVA) are carried out on OTC derivatives to reflect expected credit losses related to the non-performance risk of a given counterparty. A CVA is determined per counterparty and depends on expected future exposure taking into account collateral, netting agreements and other relevant contractual factors, default probability and recovery rates. The CVA calculation is based on available market data including credit default swap (CDS) spreads. If CDS spreads are not available relevant proxies are used. A debit valuation adjustment (DVA) is made to include own credit in the valuation of OTC derivatives. The calculation of DVA is consistent with the CVA framework and is calculated using the Rabobank CDS spread. Another set of factors taken into account is the funding valuation adjustments (FVA). FVA concerns the valuation difference between transactions hedged by securities and transactions not hedged by securities. Collateralized transactions are valued by means of a discounting curve, based on the Overnight Indexed Swap. Non-collateralized transactions are valued by means of a discounting curve, based on Euribor/ Libor plus a spread which reflects the market conditions.

Financial Assets Designated at Fair Value and Financial Assets Mandatorily at Fair Value.
These financial assets are carried at fair value based on quoted prices on an active market if available. If not, they are estimated from comparable assets on the market, or using valuation methods, including appropriate discounted cash flow models and option valuation models.

Loans and Advances to Customers.
The fair value of loans and advances to customers is estimated by discounting expected future cash flows using current market rates for similar loans, considering the creditworthiness of the counterparty. For the fair valuation of residential mortgage loans,

the contractual cash flows are adjusted for the prepayment rate of the portfolio. For variable-interest loans that are repriced regularly and do not vary significantly in terms of credit risk, the fair value approximates the carrying amount.

Financial Assets at Fair Value through Other Comprehensive Income.
These financial assets are measured at fair value based on listed market prices. If quoted prices on an active market are not available, the fair value is estimated based on discounted cash flow models and option valuation models.

Deposits from Credit Institutions.
Deposits from credit institutions include interbank placings, items to be collected and deposits. The fair values of floating rate placings, which are repriced regularly and do not vary significantly in terms of credit risk, and overnight deposits are their carrying amounts. The estimated fair value of fixed-interest deposits is based on the present value of the cash flows, calculated based on valid money market interest rates for debts with comparable credit risks and terms to maturity.

Deposits from Customers.
Deposits from customers includes current accounts and deposits. The fair value of savings and current account balances that have no specific termination date are assumed to be the amount payable on demand on the reporting date i.e. their carrying amount on that date. The fair value of these deposits is estimated from the present value of the cash flows based on current bid rates for interest for similar arrangements and terms to maturity that also match the items to be measured. The carrying amount of variable-interest deposits is a good approximation of their fair value on the reporting date.

Financial Liabilities Held for Trading.
The fair value of financial liabilities held for trading is based on available quoted prices on an active market. If quoted prices on an active market are not available, the fair value is estimated on the basis of valuation models.

Financial Liabilities Designated at Fair Value.
The fair value option is used to eliminate the accounting mismatch and valuation asymmetry between these instruments and the economic hedging derivatives that would occur if these instruments were accounted for at amortized cost. The financial liabilities designated at fair value include structured notes and structured deposits which are managed and reported on a fair value basis together with the hedging derivatives. The fair value of these liabilities is determined by discounting contractual cash flows using credit adjusted yield curves based on available market data in the secondary market and appropriate CDS spreads. All other market risk parameters are valued consistently with derivatives used to hedge the market risk in these liabilities. Changes in the fair value that are attributable to changes in own credit risk are reported in "Other comprehensive income". The change in fair value that is attributable to changes in own credit risk is calculated by deducting on a note by note basis the current fair value of the structured notes portfolio at the reporting date from the fair value recalculated based on the prevailing credit curve at the time of origination, with all other pricing components unchanged. This calculation reflects the amount that can be attributed to the change in Rabobank's own credit risk since the origination of these structured notes.

Debt Securities in Issue and Subordinated Liabilities.
The fair value of these instruments is calculated using quoted prices on an active market. For debt securities for which no quoted prices on an active market are available, a discounted cash flow model is used based on credit adjusted yield curves appropriate for the term to maturity.

The following table shows the fair value of financial instruments, recognized at amortized cost based on the valuation methods and assumptions detailed below. This table is included because not all financial instruments are recognized at fair value in the balance sheet. Fair value represents the price that would have been either received for the sale of an asset or paid in order to transfer a liability in a standard transaction conducted between market participants on the valuation date.

	2020		*2019*	
Amounts in millions of euros	*Carrying amount*	*Fair value*	*Carrying amount*	*Fair value*
Assets				
Cash and cash equivalents	108,466	108,474	63,086	63,104
Loans and advances to credit institutions	21,383	21,388	29,297	29,314
Loans and advances to customers	436,182	452,017	440,607	455,358
Liabilities				
Deposits from credit institutions	61,162	61,065	25,244	25,277
Deposits from customers	361,028	366,903	338,536	343,895
Debt securities in issue	113,521	115,351	130,403	132,326
Subordinated liabilities	13,486	15,716	15,790	17,625

The above figures represent management's best estimates on a range of methods and assumptions. If a quoted price on an active market is available, this is the best estimate of fair value.

If no quoted prices on an active market are available for fixed-term securities, equity instruments, derivatives and commodity instruments, Rabobank bases the expected fair value on the present value of the future cash flows, discounted at market rates which correspond to the credit ratings and terms to maturity of the investments. A model-based price can also be used to determine fair value.

Rabobank follows a policy of having all models used for valuing financial instruments in the statement of financial position validated by expert staff who are independent of the staff who determine the fair values of the financial instruments.

In determining market values or fair values, various factors have to be considered. These factors include the time value of money, volatility, underlying options, and credit quality of the counterparty. The valuation process has been designed in such a way that market prices that are available on a periodic basis are systematically used. Modifications to assumptions might affect the fair value of financial assets and liabilities held for trading and non-trading purposes.

The table on the next page illustrates the fair value hierarchy used in determining the fair value of financial assets and liabilities. The breakdown is:

- Level 1: Quoted prices on active markets for identical assets or liabilities; an "active market" is a market in which transactions relating to the asset or liability occur in sufficient frequency and at a sufficient volume to provide price information on a permanent basis
- Level 2: Inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: Inputs for the asset or liability not based on observable market data.

For recurrent valuations of financial instruments at fair value, Rabobank determines when transfers between the various categories of the fair-value hierarchy occurred by reassessing the level at the end of each reporting period.

Amounts in millions of euros	*Level 1*	*Level 2*	*Level 3*	*Total*
On December 31, 2020				
Assets carried at amortized cost in the statement of financial position				
Cash and cash equivalents	108,474	-	-	108,474
Loans and advances to credit institutions	-	21,354	34	21,388
Loans and advances to customers	-	128,220	323,797	452,017
Assets carried at fair value in the statement of financial position				
Financial assets held for trading	1,950	86	500	2,536
Financial assets designated at fair value	-	-	1	1
Financial assets mandatorily at fair value	-	704	1,371	2,075
Derivatives	22	29,558	58	29,638
Financial assets at fair value through other comprehensive income	12,774	2,460	261	15,495
Non-current assets held for sale	-	-	52	52
Liabilities carried at amortized cost in the statement of financial position				
Deposits from credit institutions	-	60,905	160	61,065
Deposits from customers	-	70,708	296,195	366,903
Debt securities in issue	10,061	98,282	7,008	115,351
Subordinated liabilities	15,693	23	-	15,716
Liabilities carried at fair value in the statement of financial position				
Derivatives	21	28,353	28	28,402
Financial liabilities held for trading	998	-	-	998
Financial liabilities designated at fair value	-	5,175	-	5,175

Amounts in millions of euros	*Level 1*	*Level 2*	*Level 3*	*Total*
On December 31, 2019				
Assets carried at amortized cost in the statement of financial position				
Cash and cash equivalents	63,084	20	-	63,104
Loans and advances to credit institutions	38	29,000	276	29,314
Loans and advances to customers	-	132,662	322,696	455,358
Assets carried at fair value in the statement of financial position				
Financial assets held for trading	1,649	147	74	1,870
Financial assets designated at fair value	-	-	1	1
Financial assets mandatorily at fair value	72	620	1,213	1,905
Derivatives	36	23,434	114	23,584
Financial assets at fair value through other comprehensive income	11,608	1,671	226	13,505
Non-current assets held for sale	-	-	435	435
Liabilities carried at amortized cost in the statement of financial position				
Deposits from credit institutions	-	25,141	136	25,277
Deposits from customers	-	76,033	267,862	343,895
Debt securities in issue	8,029	117,478	6,819	132,326
Subordinated liabilities	17,601	24	-	17,625
Liabilities carried at fair value in the statement of financial position				
Derivatives	28	23,980	66	24,074
Financial liabilities held for trading	399	-	-	399
Financial liabilities designated at fair value	-	6,328	-	6,328

The potential effect before taxation, if more favorable reasonable assumptions are used for the valuation of the financial instruments in level 3 on the income statement, is EUR 118 million (2019: EUR 90 million) and on other comprehensive income EUR 5 million (2019: EUR 3 million). The potential effect before taxation, if more unfavorable reasonable assumptions are used for the valuation of financial instruments in level 3 on the income statement, is EUR -119 million (2019: EUR -69 million) and on other comprehensive income EUR -2 million (2019: EUR -3 million).

Financial assets at fair value categorised in Level 3 mainly include the DGS receivable, the equity stake in Mechanics Bank and private equity interests for a total amount of EUR 1,319 million as per 31 December 2020. A significant unobservable input for the valuation of the private equity interests is the multiplier which is applied to the EBITDA. The average weighted multiplier is 7.8, with a bandwidth of -1 (unfavorable) and +1 (favorable) of the multiplier.

The table shows movements in the financial instruments which are stated at fair value in the statement of financial position and which are categorised in Level 3. The fair value adjustments in Level 3 which are included in equity are accounted for in the revaluation reserves for financial assets at fair value through comprehensive income.

In 2020 there were no significant transfers between level 1 and level 2.

Amounts in millions of euros	*Balance on January 1, 2020*	*Fair value changes incorporated in profit or loss*	*Fair value changes incorporated in OCI*	*Purchases*	*Sales*	*Settlements*	*Transfers to or from level 3*	*Transfers to assets held for sale*	*Balance on December 31, 2020*
Assets									
Financial assets held for trading	74	(10)	-	462	(26)	-	-	-	500
Financial assets designated at fair value	1	-	-	-	-	-	-	-	1
Financial assets mandatorily at fair value	1,213	(33)	-	270	(79)	-	-	-	1,371
Derivatives	114	4	-	-	-	(59)	(1)	-	58
Financial assets at fair value through other comprehensive income	226	-	-	2	(16)	-	49	-	261
Liabilities									
Derivatives	66	21	-	-	-	(59)	-	-	28
Financial liabilities designated at fair value	-	-	-	-	-	-	-	-	-

Amounts in millions of euros	*Balance on January 1, 2019*	*Fair value changes incorporated in profit or loss*	*Fair value changes incorporated in OCI*	*Purchases*	*Sales*	*Settlements*	*Transfers to or from level 3*	*Transfers to assets held for sale*	*Balance on December 31, 2019*
Assets									
Financial assets held for trading	63	-	-	17	(6)	-	-	-	74
Financial assets designated at fair value	8	-	-	1	(7)	(1)	-	-	1
Financial assets mandatorily at fair value	1,563	94	-	400	(738)	(106)	-	-	1,213
Derivatives	256	8	-	-	-	(138)	(12)	-	114
Financial assets at fair value through other comprehensive income	464	2	10	10	(31)	-	-	(229)	226
Liabilities									
Derivatives	123	59	-	-	-	(115)	(1)	-	66
Financial liabilities designated at fair value	-	-	-	-	-	-	-	-	-

The amount of total gains or losses recognized in the income statement relating to the assets and liabilities in Level 3 is given in the following table.

Amounts in millions of euros	*Instruments held at the end of the reporting period*	*Instruments no longer held at the end of the reporting period*	*Total*
On December 31, 2020			
Assets			
Financial assets held for trading	(11)	1	(10)
Financial assets designated at fair value	-	-	-
Financial assets mandatorily at fair value	(33)	-	(33)
Derivatives	(6)	10	4
Financial assets at fair value through other comprehensive income	-	-	-
Liabilities			
Derivatives	11	10	21
Financial liabilities designated at fair value	-	-	-
On December 31, 2019			
Assets			
Financial assets held for trading	-	-	-
Financial assets designated at fair value	-	-	-
Financial assets mandatorily at fair value	71	23	94
Derivatives	8	-	8
Financial assets at fair value through other comprehensive income	2	-	2
Liabilities			
Derivatives	36	23	59
Financial liabilities designated at fair value	-	-	-

Recognition of Day 1 Gains
When using fair value accounting at the inception of a financial instrument, any positive difference between the transaction price and the fair value (known as "day 1 gains") is accounted for in the statement of income where the valuation method is based on observable inputs from active markets. In all other cases, the entire day 1 gain is deferred and after initial recognition the deferred day 1 gain is recognized as a gain to the extent it results from a change in a factor (including time effects). There are no deferred day 1 gains as at December 31, 2020.

4.10 Legal and Arbitration Proceedings

Rabobank is active in a legal and regulatory environment that exposes it to a substantial risk of litigation. Rabobank is involved in legal cases, arbitrations, and regulatory proceedings in the Netherlands and in other countries. The most relevant legal and regulatory claims which could give rise to liability on the part of Rabobank are described below. Provisions for legal claims are recognized for obligations arising as a result of a past event where it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When determining whether the probability that claims lead to an outflow of resources is more likely than not (i.e. with a likelihood of over 50%), Rabobank takes several factors into account. These factors include (but are not limited to) the type of claim and the underlying facts; the procedural process and history of each case; rulings from legal and arbitration bodies; Rabobank's experience and that of third parties in similar cases (if known); previous settlement discussions, third-party settlements in similar cases (where known); available (potential) recourse; and the advice and opinions of legal advisors and other experts. Similar types of cases are grouped together and some cases may also consist of a number of claims. When estimated loss for individual cases is assessed by Rabobank as information that could be detrimental to the outcome of such cases, this information is not disclosed separately. The estimated potential losses and provisions are based on the information available at the time and are largely subject to judgments and a number of different assumptions, variables and known and unknown uncertainties. These uncertainties may include the inaccuracy or incompleteness of information available to Rabobank (especially in the early stages of a case). In addition, assumptions made by Rabobank about the future rulings of legal or other instances or the likely actions or attitudes of supervisory bodies or the parties opposing Rabobank may turn out to be incorrect. Furthermore, estimates of potential losses relating to legal disputes are often impossible to process using statistical or other quantitative analysis instruments that are generally used to make judgments and estimates. The group of cases for which Rabobank determines that the risk of future outflows of funds is more likely than not to occur varies over time, as do the number of cases for which the bank can estimate the potential loss. In practice, the end results could turn out considerably higher or lower than the estimates of potential losses in those cases where an estimate was made. Rabobank can also sustain losses from legal risks where the occurrence of a loss may not be probable, but is not improbable either, and for which no provisions have been recognized. For those cases where (a) the probability of an outflow of funds is not probable but also not remote or (b) the probability of an outflow of funds is more likely than not but the potential loss cannot be estimated reliably, a contingent liability is disclosed. Rabobank may settle legal cases or regulatory proceedings or investigations before any fine is imposed or liability is determined. Reasons for settling could include (i) the wish to avoid costs and/or management effort, (ii) avoiding other adverse business consequences and/or (iii) pre-empt the regulatory or reputational consequences of continuing with disputes relating to liability, even if Rabobank believes it has good arguments in its defence. Furthermore, Rabobank may, for the same reasons, compensate third parties for their losses, even in situations where Rabobank does not believe that it is legally required to do so.

Interest Rate Derivatives

Rabobank is involved in civil proceedings before the Dutch District Court, the Court of Appeals and the Supreme Court relating to interest rate derivatives entered into with Dutch business customers. Claimants in these proceedings in general claim to have been misinformed. Rabobank takes the stance that it has substantive and convincing legal and factual defences against these claims. Rabobank intends to continue to defend itself against these claims. With respect to the (re-)assessment of the interest rate derivatives of its Dutch SME business customers and the advance payments made and due on grounds of settlements having been concluded, Rabobank recognized on December 31, 2020 a provision of EUR 12 million (December 31, 2019: EUR 107 million).

Imtech

The Imtech Group was declared bankrupt in August 2015. Rabobank was one of the banks that extended financing to this group and participated in the rights offerings of both July 2013 and October 2014. On January 30, 2018, Rabobank received a liability letter from a group of shareholders indicating that legal proceedings may be started at a later stage with respect to a potential collective action based on alleged misstatements in the prospectuses and for alleged actio pauliana (fraudulent preference). By letter of March 28, 2018, the VEB (a Dutch party aimed at promoting the interests of shareholders in general) held parties including Rabobank liable for damage allegedly suffered by the Imtech investors. On August 10, 2018, Rabobank received formal notification from Imtech's trustees that they were seeking to nullify a large number of transactions and claim various damages. The letter aimed to interrupt limitation periods in view of the possible claims. No legal proceedings have been started and no further (legal) actions have been taken by any of the aforementioned parties. Rabobank considers the Imtech case to be a contingent liability because it is not possible to assess the outcome of these (possible) claims at this moment. No provision has been made.

Libor/Euribor

Rabobank has been involved for a number of years in regulatory proceedings in relation to benchmark-related issues. Rabobank has cooperated, and will continue to cooperate as appropriate, with the regulators and authorities involved in these proceedings. On October 29, 2013, Rabobank entered into settlement agreements with a number of these authorities in relation to their investigations into the historical Libor and Euribor submission processes of Rabobank. All amounts payable under these settlement agreements were fully paid and accounted for by Rabobank in 2013. Rabobank entered into one additional related settlement agreement with an authority on July 2, 2019. The amount payable under this settlement agreement was fully paid and accounted for by Rabobank in 2019. Rabobank, along with a large number of other panel banks and inter-dealer brokers, has been named as a defendant in a number of putative class action suits and individual civil court cases brought before the Federal Courts in the United States. These proceedings relate to U.S. Dollar (USD) Libor, British Pound Sterling (GBP) Libor, Japanese Yen (JPY) Libor, Tibor (note: Rabobank was never a member of the Tibor panel) and Euribor. Rabobank and/or its subsidiaries have also received complaints and writs of summons ordering Rabobank to appear before various Dutch, Argentine, United Kingdom, Irish, and Israeli courts in civil proceedings (including class action suits) relating to interest rate benchmarks. Since the civil proceedings set out above are intrinsically subject to uncertainties, it is difficult to predict their outcome. Rabobank takes the stance that it has substantive and convincing legal and factual defences against these claims. Rabobank intends to continue to defend itself against these claims. Rabobank considers the Libor/Euribor group of cases to be a contingent liability because the probability of an outflow of funds is neither probable nor remote. No provision has been made.

Other Cases

Rabobank is subject to other legal proceedings for which provisions have been recognized. These cases are individually less significant in size and are therefore not separately disclosed (as discussed above). The total provision for these cases amounts to EUR 73 million (December 31, 2019: EUR 91 million). The maximum amount of non-remote measurable contingent liabilities relating to claims is EUR 474 million (2019: EUR 288 million). The change in the amount claimed in respect of those contingent liability cases is mainly related to one case which is still at an early stage.

5. Segment Reporting

5.1 Business Segments

The business segments Rabobank uses in its reporting are defined from a management viewpoint. This means that the segments are reviewed as part of Rabobank's strategic management and are used to make business decisions with different risks and returns.

Rabobank distinguishes five major business segments: Domestic Retail Banking; Wholesale & Rural (W&R); Leasing; Property Development; and Other Segments.

- Domestic Retail Banking mainly encompasses the activities of the local Rabobanks, Obvion, Financial Solutions and Roparco.
- Wholesale and Rural (W&R) contains wholesale activities in the Netherlands and focuses on the Food & Agri sectors internationally. This segment develops corporate banking activities and also controls globally operating divisions such as Markets, Acquisition Finance, Global Corporate Clients, Export & Project Finance, Trade & Commodity Finance, the Financial Institutions Group and Rabo Corporate Investments. The segment also contains International Rural operations under the Rabobank label.
- In the Leasing segment, DLL is responsible for leasing activities and offers a wide range of leasing products. DLL supports manufacturers, vendors and distributors globally in their sales with products relevant to asset financing.
- Property Development mainly encompasses the activities of BPD. The core activity is the development of housing.
- Other segments within Rabobank include various sub-segments of which no single segment can be listed separately. This segment mainly comprises the financial results of investments in associates (in particular Achmea B.V.), and Treasury and Head Office operations.

There are no customers who represent more than a 10% share in Rabobank's total revenues. Transactions between the various business segments are conducted under regular commercial terms. Other than operating activities, there is no other material comprehensive income between the business segments. The financial reporting principles used for the segments are identical to those described in the "Accounting Policies" section. As management primarily relies on net interest income to assess the performance of the segments and to make decisions about resources to be allocated to the segment, the segment's interest income is presented net of its interest expense.

Amounts in millions of euros	*Domestic Retail Banking*	*W&R*	*Leasing*	*Property Development*	*Other Segments*	*Consolidation Effects*	*Total*
For the year ended December 31, 2020							
Net interest income	4,615	2,197	1,100	(16)	290	(2)	8,184
Net fee and commission income	1,314	361	106	1	(9)	7	1,780
Other results	30	164	292	309	15	8	818
Income	**5,959**	**2,722**	**1,498**	**294**	**296**	**13**	**10,782**
Staff costs	2,633	1,243	537	91	250	(70)	4,684
Other administrative expenses	1,014	224	200	32	38	(45)	1,463
Depreciation and amortization	82	90	27	9	60	127	395
Operating expenses	**3,729**	**1,557**	**764**	**132**	**348**	**12**	**6,542**
Impairment on goodwill and investments in associates	-	-	70	-	213	-	283
Impairment charges on financial assets	619	883	410	1	-	-	1,913
Regulatory levies	312	149	29	1	57	-	548
Operating profit before tax	**1,299**	**133**	**225**	**160**	**(322)**	**1**	**1,496**
Income tax	328	117	61	45	(152)	1	400
Net profit	**971**	**16**	**164**	**115**	**(170)**	**-**	**1,096**
Cost/income ratio including regulatory levies (in %)[1]	67.8	62.7	52.9	45.2	n/a	n/a	65.8
Impairment charges on financial assets (in basis points of average private sector loan portfolio)[2]	23	81	127	n/a	n/a	n/a	46
External assets	274,980	135,457	36,073	3,191	182,557	-	632,258
Goodwill	322	-	-	-	-	-	322
Private sector loan portfolio	271,262	105,889	31,911	119	199	-	409,380

1 Operating expenses plus regulatory levies divided by Income

2 Impairment charges on financial assets divided by 12-month average private sector loan portfolio

Amounts in millions of euros	*Domestic Retail Banking*	*W&R*	*Leasing*	*Property Development*	*Other Segments*	*Consolidation Effects*	*Total*
Impairment allowances on financial assets							
Balance on January 1, 2020	**2,124**	**1,596**	**357**	**14**	**-**	**-**	**4,091**
Increases due to origination and acquisition	199	62	124	-	-	-	385
Decreases due to derecognition	(349)	(152)	(24)	(15)	-	-	(540)
Changes due to change in credit risk	829	975	342	2	-	-	2,148
Write-off of defaulted loans during the year	(417)	(487)	(183)	-	-	-	(1,087)
Other adjustments	7	(145)	(14)	(1)	-	-	(153)
Balance on December 31, 2020	**2,393**	**1,849**	**602**	**-**	**-**	**-**	**4,844**
Impairment allowance 12-month ECL	312	241	205	-	-	-	758
Impairment allowance lifetime ECL non-credit impaired	599	136	129	-	-	-	864
Impairment allowance lifetime ECL credit-impaired	1,482	1,472	268	-	-	-	3,222
Balance on December 31, 2020	**2,393**	**1,849**	**602**	**-**	**-**	**-**	**4,844**

Amounts in millions of euros	*Domestic Retail Banking*	*W&R*	*Leasing*	*Property Development*	*Other Segments*	*Consolidation Effects*	*Total*
For the year ended on December 31, 2019							
Net interest income	5,258	2,431	1,052	(10)	(273)	(3)	8,455
Net fee and commission income	1,340	458	124	8	(22)	(50)	1,858
Other results	67	766	255	308	(3)	50	1,443
Income	**6,665**	**3,655**	**1,431**	**306**	**(298)**	**(3)**	**11,756**
Staff costs	2,738	1,402	536	84	208	(147)	4,821
Other administrative expenses	1,027	481	174	40	(9)	2	1,715
Depreciation and amortization	95	83	28	7	63	144	420
Operating expenses	**3,860**	**1,966**	**738**	**131**	**262**	**(1)**	**6,956**
Impairment on investments in associates	-	-	-	-	300	-	300
Impairment charges on financial assets	152	611	214	2	(4)	-	975
Regulatory levies	270	140	26	2	46	-	484
Operating profit before tax	**2,383**	**938**	**453**	**171**	**(902)**	**(2)**	**3,041**
Income tax	607	260	131	40	(200)	-	838
Net profit	**1,776**	**678**	**322**	**131**	**(702)**	**(2)**	**2,203**
Cost/income ratio including regulatory levies (in %)[1]	62.0	57.6	53.4	43.5	n/a	n/a	63.3
Impairment charges on financial assets (in basis points of average private sector loan portfolio)[2]	6	55	67	n/a	n/a	n/a	23
External assets	275,885	137,092	37,876	3,201	136,544	-	590,598
Goodwill	322	-	70	-	-	-	392
Private sector loan portfolio	271,165	112,410	33,169	256	914	-	417,914

1 Operating expenses plus regulatory levies divided by Income

2 Impairment charges on financial assets (in basis points of average private sector loan portfolio)

Amounts in millions of euros	*Domestic Retail Banking*	*W&R*	*Leasing*	*Property Development*	*Other Segments*	*Consolidation Effects*	*Total*
Impairment allowances on financial assets							
Balance on January 1, 2019	**2,267**	**1,330**	**265**	**7**	**-**	**-**	**3,869**
Increases due to origination and acquisition	120	92	36	-	-	-	248
Decreases due to derecognition	(283)	(139)	(51)	-	-	-	(473)
Changes due to change in credit risk	345	660	254	1	(19)	-	1,241
Write-off of defaulted loans during the year	(324)	(254)	(156)	-	-	-	(734)
Other adjustments	(1)	(93)	9	6	19	-	(60)
Balance on December 31, 2019	**2,124**	**1,596**	**357**	**14**	**-**	**-**	**4,091**
Impairment allowance 12-month ECL	176	158	68	-	-	-	402
Impairment allowance lifetime ECL non-credit impaired	213	76	77	-	-	-	366
Impairment allowance lifetime ECL credit-impaired	1,735	1,362	212	14	-	-	3,323
Balance on December 31, 2019	**2,124**	**1,596**	**357**	**14**	**-**	**-**	**4,091**

5.2 Geographic Information (Country-by-Country Reporting)

Rabobank operates in seven main geographical areas. The country of domicile of Rabobank is the Netherlands. The information below is reported by distinguishable components of Rabobank that provide products and/or services within a particular economic environment within specific geographical locations/ areas. The breakdown is based on the location of the individual subsidiary/ branch from which the transactions are initiated. Revenue is defined as total income as presented in the statement of income plus interest expense, fee and commission expense and expenses from other operating activities.

On December 31, 2020

Amounts in millions of euros

Geographic location	*Country*	*Name of division*	*Type of operations*	*Revenues*	*Average number of internal employees in FTE*	*Operating profit before tax*	*Income tax*
The Netherlands	The Netherlands	Rabobank, DLL, Obvion, Rabo Vastgoedgroep, BPD	Domestic Retail Banking, Wholesale and Rural, Leasing, Property Development	16,079	25,122	625	153
Other Eurozone countries	France	DLL, Rabobank, Rabo Vastgoedgroep, BPD	Leasing, Wholesale and Rural, Property Development	158	167	58	20
	Belgium	DLL, Rabobank	Leasing, Wholesale and Rural	95	114	22	7
	Germany	DLL, Rabobank, Rabo Vastgoedgroep, BPD	Leasing, Wholesale and Rural, Property Development	998	702	91	29
	Italy	DLL, Rabobank	Leasing, Wholesale and Rural	80	159	27	6
	Luxembourg	Rabo Vastgoedgroep	Property Development	-	-	-	-
	Ireland	DLL, Rabobank	Leasing, Wholesale and Rural	398	172	104	(14)
	Finland	DLL	Leasing	8	14	1	-
	Austria	DLL	Leasing	4	3	1	-
	Portugal	DLL	Leasing	13	20	(1)	-
	Spain	DLL, Rabobank	Leasing, Wholesale and Rural	64	147	(6)	(2)
Rest of Europe (non-Eurozone)	United Kingdom	DLL, Rabobank	Leasing, Wholesale and Rural	523	603	(5)	(2)
	Norway	DLL	Leasing	38	46	9	2
	Sweden	DLL	Leasing	56	146	(63)	1
	Denmark	DLL	Leasing	35	29	5	1
	Switzerland	DLL	Leasing	6	8	-	-
	Russia	DLL	Leasing	34	75	17	3
	Poland	DLL	Leasing	32	80	8	2
	Hungary	DLL	Leasing	7	32	2	-
	Turkey	DLL, Rabobank	Leasing, Wholesale and Rural	24	54	14	3
North America	United States	DLL, Rabobank	Leasing, Wholesale and Rural	2,991	2,947	314	66
	Canada	DLL, Rabobank	Leasing, Wholesale and Rural	252	265	58	15
Latin America	Mexico	DLL	Leasing	31	79	(3)	(1)
	Brazil	DLL, Rabobank	Leasing, Wholesale and Rural	514	783	89	32
	Chile	DLL, Rabobank	Leasing, Wholesale and Rural	54	141	2	(1)
	Argentina	DLL	Leasing	4	16	1	-

On December 31, 2020							
	Peru	Rabobank	Wholesale and Rural	1	3	-	-
Asia	India	DLL, Rabobank	Leasing, Wholesale and Rural	68	547	(11)	12
	Singapore	DLL, Rabobank	Leasing, Wholesale and Rural	152	177	(126)	(14)
	Indonesia	Rabobank	Wholesale and Rural	22	225	(20)	-
	Malaysia	Rabobank	Wholesale and Rural	3	3	2	(1)
	China	DLL, Rabobank	Leasing, Wholesale and Rural	40	96	(31)	(7)
	Hong Kong	DLL, Rabobank	Leasing, Wholesale and Rural	173	189	(5)	(1)
	South Korea	DLL	Leasing	11	25	2	-
	United Arab Emirates	DLL	Leasing	-	1	-	-
Australia	Australia	DLL, Rabobank	Leasing, Wholesale and Rural	1,017	1,240	211	63
	New Zealand	DLL, Rabobank	Leasing, Wholesale and Rural	430	393	104	28
Other	Mauritius, Kenya	Rabobank	Wholesale and Rural	1	19	-	-
			Consolidation effects	(5,929)	-	-	-
				18,487	**34,837**	**1,496**	**400**

On December 31, 2019

Amounts in millions of euros

Geographic location	*Country*	*Name of division*	*Type of operations*	*Revenues*	*Average number of internal employees in FTE*	*Operating profit before tax*	*Income tax*
The Netherlands	The Netherlands	Rabobank, DLL, Obvion, Rabo Vastgoedgroep, BPD	Domestic Retail Banking, Wholesale and Rural, Leasing, Property Development	20,354	24,780	1,801	448
Other Eurozone countries	France	DLL, Rabobank, Rabo Vastgoedgroep, BPD	Leasing, Wholesale and Rural, Property Development	102	159	(7)	23
	Belgium	DLL, Rabobank	Leasing, Wholesale and Rural	112	108	(31)	(10)
	Germany	DLL, Rabobank, Rabo Vastgoedgroep, BPD	Leasing, Wholesale and Rural, Property Development	941	658	99	29
	Italy	DLL, Rabobank	Leasing, Wholesale and Rural	77	146	28	3
	Luxembourg	Rabo Vastgoedgroep	Property Development	-	-	-	-
	Ireland	DLL, Rabobank	Leasing, Wholesale and Rural	620	173	120	12
	Finland	DLL	Leasing	8	12	2	-
	Austria	DLL	Leasing	3	3	-	-
	Portugal	DLL	Leasing	14	18	1	-

On December 31, 2019							
	Spain	DLL, Rabobank	Leasing, Wholesale and Rural	63	145	15	6
Rest of Europe (non-Eurozone)	United Kingdom	DLL, Rabobank	Leasing, Wholesale and Rural	753	632	85	9
	Norway	DLL	Leasing	42	42	8	2
	Sweden	DLL	Leasing	51	129	4	3
	Denmark	DLL	Leasing	36	28	6	-
	Switzerland	DLL	Leasing	5	6	1	-
	Russia	DLL	Leasing	43	69	20	6
	Poland	DLL	Leasing	36	83	9	2
	Hungary	DLL	Leasing	14	37	-	-
	Romania	DLL	Leasing	-	2	-	-
	Turkey	DLL, Rabobank	Leasing, Wholesale and Rural	42	55	30	7
North America	United States	DLL, Rabobank, Rabo Vastgoedgroep	Leasing, Wholesale and Rural, Property Development	4,244	3,524	434	133
	Canada	DLL, Rabobank	Leasing, Wholesale and Rural	285	238	63	16
Latin America	Mexico	DLL	Leasing	37	71	4	2
	Brazil	DLL, Rabobank	Leasing, Wholesale and Rural	603	752	97	30
	Chile	DLL, Rabobank	Leasing, Wholesale and Rural	76	140	(11)	2
	Argentina	DLL	Leasing	6	17	(1)	-
	Peru	Rabobank	Wholesale and Rural	1	-	-	-
Asia	India	DLL, Rabobank	Leasing, Wholesale and Rural	87	547	(10)	3
	Singapore	DLL, Rabobank	Leasing, Wholesale and Rural	257	195	6	1
	Indonesia	Rabobank	Wholesale and Rural	33	539	(85)	7
	Malaysia	Rabobank	Wholesale and Rural	-	1	-	-
	China	DLL, Rabobank	Leasing, Wholesale and Rural	72	106	3	4
	Hong Kong	DLL, Rabobank	Leasing, Wholesale and Rural	355	189	16	-
	South Korea	DLL	Leasing	13	23	3	1
	United Arab Emirates	DLL	Leasing	-	2	(1)	-
Australia	Australia	DLL, Rabobank	Leasing, Wholesale and Rural	1,154	1,153	233	70
	New Zealand	DLL, Rabobank	Leasing, Wholesale and Rural	514	351	99	29
Other	Mauritius, Kenya	Rabobank	Wholesale and Rural	2	18	-	-

On December 31, 2019					
	Consolidation effects	(9,620)	-	-	-
		21,435	**35,145**	**3,041**	**838**

Rabobank did not receive government subsidies in 2020 and 2019.

5.3 Geographic Information of Non-current Assets

Amounts in millions of euros	*2020*		*2019*	
	Domestic	*Non-domestic*	*Domestic*	*Non-domestic*
Goodwill and other intangible assets	656	84	683	146
Property and equipment and investment properties	1,975	3,040	2,173	3,286
Other assets	5,329	2,178	4,660	1,950
Non-current assets held for sale	40	12	221	214
Total	**8,000**	**5,314**	**7,737**	**5,596**

6. Cash and Cash Equivalents

Amounts in millions of euros	*2020*	*2019*
Cash	536	745
Deposits at central banks	107,930	62,341
Total cash and cash equivalents	**108,466**	**63,086**

The average minimum reserve to be held for the Netherlands for the month of December 2020 was EUR 3,295 million (December 2019: EUR 3,110 million).

7. Loans and Advances to Credit Institutions

Amounts in millions of euros	*2020*	*2019*
Current accounts and receivables	5,207	5,905
Reverse repurchase transactions and securities borrowing agreements	15,803	22,703
Loans	316	644
Other	58	48
Gross carrying amount loans and advances to credit institutions	**21,384**	**29,300**
Loan impairment allowance on loans and advances to credit institutions	(1)	(3)
Total loans and advances to credit institutions	**21,383**	**29,297**

8. Financial Assets Held for Trading

Amounts in millions of euros	*2020*	*2019*
Government bonds	1,093	666
Other debt securities	715	1,039
Loans	548	106
Equity instruments	180	59
Total	**2,536**	**1,870**

9. Financial Assets Designated at Fair Value

Amounts in millions of euros	*2020*	*2019*
Loans	1	1
Total	**1**	**1**

The maximum exposure to credit risk is best represented by the carrying amount of the financial assets designated at fair value. The change in the current year in the fair value of the financial assets designated at fair value that is attributable to changes in the credit risk is nil. The cumulative change is also nil. Any changes in fair value are calculated by discounting future cash flows. When setting the discount rate, Rabobank takes account of expected losses, liquidity mark-ups and the risk margin. Rabobank does not use credit derivatives to hedge the financial assets designated at fair value.

10. Financial Assets Mandatorily at Fair Value

Amounts in millions of euros	*2020*	*2019*
Debt securities	43	37
Loans	1,165	1,106
Equity instruments	867	762
Total	**2,075**	**1,905**

11. Derivatives

Rabobank uses derivatives to mitigate at least a portion of the risks arising from the bank's various operations. For example, we use interest rate swaps to hedge interest rate risks arising from the difference in maturities between assets and liabilities. Another example is cross-currency swaps, which are used to hedge the currency risk to which the bank is exposed after issuing debt instruments in foreign currencies. In addition to hedging purposes, we also contract derivatives with corporate customers where we act as the counterparty.

11.1 Types of Derivatives Used by Rabobank

Forward currency and interest rate contracts are contractual obligations to receive or pay a net amount based on prevailing exchange or interest rates, or to purchase or sell foreign currency or a financial instrument on a future date at a fixed specified price in an organized financial market. The credit risk is low, since collateral for forward contracts is provided in the form of cash, cash equivalents or marketable securities, and changes in the value of forward contracts are settled daily, mainly via a central counterparty clearing house. Rabobank's credit risk exposure is represented by the potential cost of replacing the swaps if the counterparties default. The risk is monitored continuously against current fair value, a portion of the notional amount of the contracts and the liquidity in the markets. As part of the credit risk management process, Rabobank employs the same methods for evaluating counterparties as it does for evaluating its own lending activities.

Forward rate agreements are individually agreed forward interest rate contracts under which the difference between a contractually agreed interest rate and the market rate on a future date has to be settled in cash, based on a notional principal amount.

Currency and interest rate swaps are commitments to exchange one set of cash flows for another. Swaps entail an economic exchange of currencies or interest rates (such as a fixed rate for one or more variable rates), or a combination (i.e. a cross-currency interest rate swap). Except in certain currency swaps, no transfer of the principal amount takes place.

Currency and interest rate options are contracts under which the seller (known as the writer) gives the buyer (known as the holder) the right, entailing no obligation, to purchase (in the case of a call option) or sell (in the case of a put option) a specific amount of foreign currency or a specific financial instrument on or before an agreed date or during an agreed period at a price set in advance. As consideration for accepting the currency or interest rate risk, the writer receives a payment (known as a premium) from the holder. Options are traded on exchanges or between Rabobank and clients (OTC). Rabobank is only exposed to credit risks as an option holder and only up to the carrying amount, which is equivalent to the fair value.

Credit default swaps (CDSs) are instruments with which the seller of a CDS undertakes to pay an amount to the buyer. This amount is equal to the loss that would be incurred by holding an underlying reference asset if a specific credit event were to occur (i.e. the materialization of a risk). The buyer is under no obligation to hold the underlying reference asset. The buyer pays the seller a credit protection fee largely expressed in basis points, with the size of the fee depending on the credit spread and tenor of the reference asset.

11.2 Derivatives Held for Trading

The derivatives held or issued for trading are those used to hedge economic risks but which do not qualify as hedge accounting instruments and derivatives that corporate customers have contracted with Rabobank to hedge interest rate and currency risks. The exposures from derivatives with corporate customers are normally hedged by entering into offsetting positions with one or more professional counterparties, within set trading limits.

11.3 Derivatives Designated as Hedging Instrument

Rabobank has various derivatives that serve to hedge economic risks, including interest rate and currency risks, which qualify as a hedging instrument in a fair value hedge, a cash flow hedge or a net investment hedge.

Fair value hedges
Rabobank uses interest rate swaps and cross-currency interest rate swaps to hedge potential changes in the fair value due to interest rate or foreign currency rate changes. These changes ordinarily constitute the majority of the overall change of the hedged items. Hedged items are fixed-income financial assets and liabilities in both local and foreign currencies, such as mortgages, debt securities at fair value through other comprehensive income, issued debt securities and deposits with agreed maturity. Rabobank tests the hedge effectiveness based on statistical regression analysis models, both prospectively and retrospectively for IAS 39 portfolio fair value hedges and analyses the sources of ineffectiveness for IFRS 9 non-portfolio fair value hedges. The identified source of ineffectiveness of the IFRS 9 fair value hedges is the float leg (excluding margin) of the cross currency interest rate swap.

The hedged ratio of the IFRS 9 fair value hedges is the actual economic hedge (notional issued bond and notional cross currency interest rate swap).

Maturity Profile and Average Interest Rate of Hedging Instruments in Fair Value Hedges

Amounts in millions of euros		*Remaining maturity*		
	Total notional amount	*Less than 1 year*	*1 - 5 years*	*Longer than 5 years*
On December 31, 2020				
Hedging instrument - Hedge of financial assets	59,606	5,304	38,276	16,026
Average fixed interest rate	3.22%	1.41%	1.76%	4.01%
Hedging instrument - Hedge of financial liabilities	62,299	8,120	15,436	38,743
Average fixed interest rate	2.46%	4.44%	2.06%	2.43%
On December 31, 2019				
Hedging instrument - Hedge of financial assets	46,579	4,204	24,470	17,905
Average fixed interest rate	3.01%	1.17%	2.30%	3.42%
Hedging instrument - Hedge of financial liabilities	50,275	748	22,165	27,362
Average fixed interest rate	2.89%	3.82%	1.58%	3.06%

Designated Hedging Instruments in Fair Value Hedges of Interest Rate Risk

Amounts in millions of euros	*Carrying amount derivative financial assets*	*Carrying amount derivative financial liabilities*	*Change in fair value used for calculating hedge ineffectiveness*
On December 31, 2020			
Hedge of loans and advances to customers	39	3,319	1,275
Hedge of financial assets at fair value through other comprehensive income	7	359	59
Hedge of deposits from customers	168	1	22
Hedge of issued debt securities	3,767	459	(1,011)
On December 31, 2019			
Hedge of loans and advances to customers	274	3,783	1,989
Hedge of financial assets at fair value through other comprehensive income	-	185	21
Hedge of issued debt securities	3,551	548	(1,234)

Hedge ineffectiveness of fair value hedging amounts to EUR 60 million and is included in the statement of income on line item "Gains/ (Losses) on Financial Assets and Liabilities at Fair Value through Profit or Loss".

Designated Hedged Items in Fair Value Hedges of Interest Rate Risk

Amounts in millions of euros	*Carrying amount*	*Accumulated amount of fair value hedge adjustment on the hedged item included in the carrying amount of the hedged item*	*Change in fair value used for calculating hedge ineffectiveness*	*Accumulated amount of fair value hedge adjustments remaining for any hedged items that have ceased to be adjusted for hedging gains and losses*
On December 31, 2020				
Loans and advances to customers	45,190	7,419	(1,249)	6,183
Financial assets at fair value through other comprehensive income	6,450	-	(59)	54
Deposits from customers	8,700	10	(23)	-
Issued debt securities	49,265	3,707	926	2,051
On December 31, 2019				
Loans and advances to customers	42,151	7,044	(1,965)	6,328
Financial assets at fair value through other comprehensive income	2,125	-	(21)	278
Issued debt securities	57,630	2,924	1,141	2,250

Cash Flow Hedges

Rabobank's cash flow hedges mainly consist of hedges of the margin of issued bonds in foreign currency hedged with cross-currency interest rate swaps to protect against a potential change in cash flows due to change in foreign currency rates. Rabobank analyzes the sources of ineffectiveness for IFRS 9 cash flow hedges. The IFRS 9 cash flow hedges are 100% effective. The interest rate risk is not hedged in the cash flow hedge (two fixed legs, foreign currency and Euro) and the average interest rate is therefore not disclosed in the table below.

Maturity Profile and Average Price/ Rate of Hedging Instruments in Cash Flow Hedges

Amounts in millions of euros		*Remaining maturity*		
	Total notional amount	*Less than 1 year*	*1 - 5 years*	*Longer than 5 years*
On December 31, 2020				
Cross-currency swaps (USD:EUR)				
Notional amounts of hedging instrument	26	-	12	14
Average exchange rate (USD:EUR)		n/a	1.18	1.41
Cross-currency swaps (GBP:EUR)				
Notional amounts of hedging instrument	88	-	39	49
Average exchange rate (GBP:EUR)		n/a	0.79	0.85
Cross-currency swaps (other currencies)				
Notional amounts of hedging instrument	61	19	33	9
On December 31, 2019				
Cross-currency swaps (USD:EUR)				
Notional amounts of hedging instrument	27	1	-	26
Average exchange rate (USD:EUR)		1.37	n/a	1.27
Cross-currency swaps (GBP:EUR)				
Notional amounts of hedging instrument	83	-	35	48
Average exchange rate (GBP:EUR)		n/a	0.78	0.85
Cross-currency swaps (other currencies)				
Notional amounts of hedging instrument	77	14	54	9

Cash Flow Hedges of Interest Rate and Foreign Currency Risk, Designated Hedging Instruments

Amounts in millions of euros	*Carrying amount derivative financial assets*	*Carrying amount derivative financial liabilities*	*Change in fair value used for calculating hedge ineffectiveness*
On December 31, 2020			
Cross-currency interest rate swaps (USD:EUR)	-	4	323
Cross-currency interest rate swaps (GBP:EUR)	6	26	17
Cross-currency interest rate swaps (other currencies)	5	1	(363)
Total	**11**	**31**	**(23)**
On December 31, 2019			
Cross-currency interest rate swaps (USD:EUR)	7	9	(8)
Cross-currency interest rate swaps (GBP:EUR)	9	9	25
Cross-currency interest rate swaps (other currencies)	7	1	(14)
Total	**23**	**19**	**3**

For the changes in the value of the hedging instrument recognized in other comprehensive income and the amount reclassified from the cash flow hedge reserve to profit or loss, reference is made to section 31 Reserves and Retained Earnings. Hedge ineffectiveness amounts to nil and is included in the statement of income on line item "Gains/ (losses) on financial assets and liabilities at fair value through profit or loss".

Cash Flow Hedges of Interest Rate and Foreign Currency Risk, Designated Hedged Items

Amounts in millions of euros	*Change in fair value used for calculating hedge ineffectiveness*	*Cash flow hedge reserve for continuing hedges*	*Remaining cash flow hedge reserve from hedging relationships for which hedge accounting is no longer applied*
On December 31, 2020			
Issued debt securities	23	(16)	(30)
On December 31, 2019			
Issued debt securities	(3)	10	(36)

Net Investment Hedges
Rabobank uses forward currency contracts to hedge a portion of the currency translation risk of net investments in foreign operations.

Maturity Profile and Average Rate of Hedging Instruments in Net Investment Hedges

	Total notional amount	*Remaining maturity on December 31, 2020*		
Amounts in millions of euros		*Less than 1 year*	*1 - 5 years*	*Longer than 5 years*
Forward currency contracts				
Notional amounts of hedging instrument	3,518	3,518	-	-
	Total notional amount	*Remaining maturity on December 31, 2019*		
Forward currency contracts				
Notional amounts of hedging instrument	3,778	3,774	4	-

For the main currencies the average exchange rates used in net investment hedge accounting for 2020 are EUR/AUD 1.63 (2019: 1.63), EUR/NZD 1.74 (2019: 1.73) and EUR/BRL 6.45 (2019: 4.58).

Amounts in millions of euros	*Carrying amount financial assets*	*Carrying amount financial liabilities*	*Change in fair value used for calculating hedge ineffectiveness*
On December 31, 2020			
Forward currency contracts	1	55	278
On December 31, 2019			
Forward currency contracts	-	49	(73)

For the changes in the value of the hedging instrument recognized in other comprehensive income and the amount reclassified from the net investment hedge reserve to profit or loss, see Section 31 "Reserves and Retained Earnings". Hedge ineffectiveness amounts to zero and is included in the statement of income in line item "Gains/ (Losses) on Financial Assets and Liabilities at Fair Value through Profit or Loss".

Net Investment Hedges of Currency Translation Risk, Designated Hedged Items

Amounts in millions of euros	*Change in fair value used for calculating hedge ineffectiveness*	*Foreign currency translation reserve for continuing hedges*	*Remaining foreign currency translation reserve from hedging relationships for which hedge accounting is no longer applied*
On December 31, 2020			
Net investment	(278)	420	146
On December 31, 2019			
Net investment	73	276	140

11.4 Notional Amount and Fair Value of Derivatives

The following table shows the notional amounts and the positive and negative fair values of derivatives as presented in the statement of financial position.

Notional Amount and Fair Values of Derivatives

	On december 31, 2020			On december 31, 2019		
Amounts in millions of euros	Notional amounts	Fair values		Notional amounts	Fair values	
		Assets	Liabilities		Assets	Liabilities
Derivatives held for trading	4,615,073	25,646	24,233	3,918,192	19,737	19,539
Derivatives designated as hedging instrument	122,081	3,992	4,169	97,042	3,847	4,535
Total derivatives	**4,737,154**	**29,638**	**28,402**	**4,015,234**	**23,584**	**24,074**
Derivatives held for trading						
Currency derivatives						
Currency swaps	399,235	6,914	7,031	416,494	3,187	4,948
Currency options - purchased and sold	4,976	58	88	5,579	55	45
Listed tradeable contracts	5,109	6	6	7,223	24	16
Currency futures	380	7	10	185	1	2
Total currency derivatives	**409,700**	**6,985**	**7,135**	**429,481**	**3,267**	**5,011**
Interest rate derivatives						
OTC interest rate swaps	3,999,005	15,734	14,227	2,973,088	13,789	11,788
OTC interest rate options	65,639	2,483	2,527	71,963	2,490	2,549
Listed interest rate swaps	129,268	1	1	434,346	1	1
Total interest rate derivatives	**4,193,912**	**18,218**	**16,755**	**3,479,397**	**16,280**	**14,338**
Credit derivatives	1,111	120	10	880	4	5
Equity instruments/ index derivatives	3	1	1	3	2	-
Other derivatives	10,347	322	332	8,431	184	185
Total derivatives held for trading	**4,615,073**	**25,646**	**24,233**	**3,918,192**	**19,737**	**19,539**
Derivatives designated as hedging instrument						
Derivatives designated as hedging instrument in fair value hedges						
Interest rate swaps and cross-currency interest rate swaps	119,242	3,981	4,083	94,217	3,824	4,476
Derivatives designated as hedging instrument in cash flow hedges						
Currency swaps and cross-currency interest rate swaps	175	11	31	187	23	19
Derivatives designated as hedging instrument as net investment hedges						
Currency futures contracts	2,664		55	2,635	-	40
Total derivatives designated as hedging instrument	**122,081**	**3,992**	**4,169**	**97,039**	**3,847**	**4,535**

11.5 Interest Rate Benchmark Reform

In the past years due to cases of attempted manipulation and the decline of liquidity in interbank unsecured funding markets, the reliability and robustness of the IBORs – the key interbank benchmark interest rate has been questioned. In 2014 the Financial Stability Board issued a report with its recommendations on interest rate benchmarks that triggered the benchmark reform. The IBORs are expected to be phased out by the end of 2021 with the possibility of some tenors of USD Libor to be extended until 30th of June 2023. The IBORs will be replaced by risk free rates (RFRs), more liquid and anchored in active markets rates.

Rabobank has created a program to lead the bank through the transition from the current benchmark rates to the reformed benchmarks. The program is sponsored by the CFO and is led by Group Treasury in the steering committee. The program provides a robust governance structure which oversees design and execution of the transition in the businesses with monthly updates to the design board. The design board is the central authority with the mandate to ratify policies and design choices proposed by its members.

During this year the program has accomplished the first two milestones of the transition road map of the EUR and USD discount switch. The program is currently focused on the design and operational readiness of the new financial products under the new RFRs methodology and preparing the transition of the IBOR legacy contracts by the end of 2021 or possible 2023 in some cases. See paragraph 2.1 "Basis of presentation" for the impact of hedging relationships directly affected by interest rate benchmark reform (Phase 1 amendments).

12. Loans and Advances to Customers

Amounts in millions of euros	*2020*	*2019*
Loans to private sector clients:		
Overdrafts	11,603	14,335
Mortgages	187,385	186,594
Finance leases	19,907	20,332
Corporate loans	181,651	189,733
Other	13,528	10,850
Loans to government clients:		
Finance leases	172	194
Other	1,862	1,912
Reverse repurchase transactions, securities borrowing agreements and settlement accounts	17,355	13,553
Gross carrying amount loans and advances to customers	**433,463**	**437,503**
Hedge accounting adjustment	7,419	7,044
Impairment allowances on loans and advances to customers	(4,700)	(3,940)
Total loans and advances to customers	**436,182**	**440,607**

Finance Leases

Loans and advances to customers also includes receivables from finance leases, which can be broken down as follows:

Amounts in millions of euros	*2020*	*2019*
Receivables from gross investment in finance leases		
Not exceeding 1 year	6,282	6,969
1 to 2 years	5,101	5,344
2 to 3 years	3,952	3,950
3 to 4 years	2,846	2,661
4 to 5 years	1,564	1,700
More than 5 years	1,378	1,239
Gross investment in finance leases	**21,123**	**21,863**
Unearned deferred finance income from finance leases	1,495	1,556
Net investment in finance leases	**19,628**	**20,307**
Loan impairment allowance finance leases	451	219
Gross carying amount finance leases	**20,079**	**20,526**
Finance income on net investment	788	878

The finance leases mainly relate to the lease of equipment, cars and factoring products. The unguaranteed residual values accruing to the lessor amounted to EUR 2,072 million (2019: EUR 2,153 million). The contingent lease payments recognized as income in 2020 were zero.

13. Financial Assets at Fair Value through Other Comprehensive Income

Amounts in millions of euros	*2020*	*2019*
Government bonds	9,974	9,505
Other debt securities	5,006	3,504
Loans	178	206
Equity instruments	337	290
Total financial assets at fair value through other comprehensive income	**15,495**	**13,505**

Rabobank designated equity investments in foreign financial service providers at fair value through other comprehensive income upon initial recognition because these instruments are held for strategic purposes rather than for the purpose of selling it in the near term.

Amounts in millions of euros	*2020*	*2019*
Equity investments in foreign financial service providers	107	108
Equity investments held by subsidiaries	174	113
Other equity investments	56	69
Total equity instruments	**337**	**290**

During 2020, Rabobank recognized dividends of EUR 12 million of which EUR 0 million relates to equity investments that are derecognised in 2020. Transfers of the cumulative gains or losses within equity during the period are disclosed in Section 31 in the movement schedule of the "Revaluation Reserve – Equity Instruments at Fair Value Through Other Comprehensive Income".

14. Investments in Associates and Joint Ventures

Amounts in millions of euros	*2020*	*2019*
Opening balance	2,308	2,374
Foreign exchange differences	(55)	(8)
Purchases	64	91
Sales	(52)	(71)
Share of profit of associates and and joint ventures	189	193
Dividends paid out (and capital repayments)	(45)	(56)
Revaluation	(14)	94
Impairment	(213)	(300)
Other	1	(9)
Total investments in associates and joint ventures	**2,183**	**2,308**

14.1 Investments in Associates

The main associate in terms of the size of the capital interest held by Rabobank is Achmea.

On December 31, 2020	*Shareholding*	*Voting rights*
The Netherlands		
Achmea B.V.	30%	30%

Achmea is Rabobank's strategic partner for insurance products and Interpolis, a subsidiary of the Achmea Group, works closely with Rabobank. Achmea's head office is located in Zeist, the Netherlands. No listed market price is available for the interest in Achmea. The interest in Achmea is valued according to the equity method. Rabobank received dividend from Achmea for an amount of EUR 45 million (2019: EUR 35 million).

The low interest environment has been one of the drivers impacting equity prices of the Dutch (and European) insurers which all have closed pension and life books where long term options and guarantees have been underwritten. The COVID-19 pandemic in the first half of 2020 with subsequent ECB measures in the second half of 2020 to extend stimulus packages had led to market consensus that interest rate levels could go even lower and for a longer time. Subsequently, a Dutch/ European equity price comparison is making clear that the performance of the insurance industry is lagging behind the general stock indices. These elements gave triggers to reassess the valuation of the equity investment in Achmea at 31 December 2020. The impairment test resulted in a downward adjustments of the carrying value of the investment in Achmea of EUR 213 million which was recognised in the income statement as 'Impairment on goodwill and investments in associates'. Achmea B.V. is part of the operating segment 'Other segments'. The recoverable amount is based on the estimated value in use. To determine the value in use for Achmea, Rabobank has undertaken a review of the expected cash flows that Achmea generates for Rabobank discounted at a pre-tax discount rate of 10,30%.

Achmea

Amounts in millions of euros	*2020*	*2019*
Cash and balances at central banks	2,184	963
Investments	81,639	78,750
Other assets	9,832	9,767
Total assets	**93,655**	**89,480**
Insurance related provisions	58,401	57,770
Loans and funds borrowed	20,564	18,475
Other liabilities	4,131	3,050
Total liabilities	**83,096**	**79,295**
Revenues	23,558	24,653
Net profit	642	481
Other comprehensive income	(45)	313
Total comprehensive income	**597**	**794**

Reconciliation Carrying Amount of Interest in Achmea

	2020	*2019*
Total equity Achmea	10,559	10,192
Minus: hybrid capital	1,250	1,250
Minus: preference shares and accrued dividend	350	350
Shareholder's equity	**8,959**	**8,592**
Share of Rabobank	30.00%	30.00%
	2,687	2,577
Accumulated impairment	(1,232)	(1,019)
Carrying amount	**1,455**	**1,558**

Result from Other Associates

Amounts in millions of euros	*2020*	*2019*
Result from continuing operations	(5)	52
Net profit	**(5)**	**52**
Other comprehensive income	-	-
Total comprehensive income	**(5)**	**52**

14.2 Investments in Joint Ventures

Almost all joint ventures are investments of BPD. Their total carrying amount is EUR 68 million (2019: EUR 19 million). Joint ventures are recognized in accordance with the equity method.

BPD often enters into partnerships for developing integrated residential areas. In the majority of cases, each participating member of the partnership has a decisive vote, and decisions can only be passed by consensus. The majority of these partnerships therefore qualify as "joint arrangements."

Each partnership has its own legal structure depending on the needs and requirements of the parties concerned. The legal form (business structure) typically used is the Dutch "CV-BV" structure (a limited partnership-private limited liability company) or the "VOF" structure (general partnership) or a comparable structure. In the case of a CV-BV, the risk of a partner is generally limited to the issued capital and partners are only entitled to the net assets of the entity. In the case of general partnerships ("VOF"), each party bears, in principle, unlimited liability and has, in principle, a proportional right to the assets and obligations for the liabilities of the entity. On the basis of the legal form, a CV-BV structure qualifies as a "joint venture", whereas a VOF structure qualifies as a "joint operation". It is important to note that the contractual terms and other relevant facts and circumstances may result in a different classification.

As a separate legal structure is established for each project, projects have different participating partners and individual projects are not of a substantial size, BPD did not have material joint arrangements in 2020 and 2019.

Result from Joint Ventures

Amounts in millions of euros	*2020*	*2019*
Profit or loss from continuing operations	23	22
Post-tax profit or loss from discontinued operations	-	-
Net profit	**23**	**22**
Other comprehensive income	-	-
Total comprehensive income	**23**	**22**

Contingent Liabilities to Joint Ventures
BPD entered into commitments on December 31, 2020 with regard to real estate projects, commitments with third parties (including subcontractors and architects) for an amount of EUR 4 million (2019: EUR 8 million). The commitments regarding building sites amount to EUR 74 million (2019: EUR 45 million).

15. Goodwill and Other Intangible Assets

Amounts in milliions of euros	*Goodwill*	*Software developed inhouse*	*Other intangible assets*	*Total*
Year ended December 31, 2020				
Opening balance	392	323	114	829
Foreign exchange differences	-	(2)	(1)	(3)
Additions	-	112	17	129
Disposals	-	(13)	(6)	(19)
Disposal of subsidiary	-	-	-	-
Other	-	25	(22)	3
Amortization	-	(84)	(35)	(119)
Impairments	(70)	(10)	-	(80)
Closing balance	**322**	**351**	**67**	**740**
Cost	322	1,438	284	2,044
Accumulated amortisation and impairments	-	(1,087)	(217)	(1,304)
Net carrying amount	**322**	**351**	**67**	**740**
Year ended December 31, 2019				
Opening balance	519	357	90	966
Foreign exchange differences	1	1	1	3
Additions	-	85	78	163
Disposals	-	(16)	(6)	(22)
Disposal of subsidiary	(128)	(1)	(1)	(130)
Other	1	9	(3)	7
Amortization	-	(87)	(45)	(132)
Impairments	(1)	(25)	-	(26)
Closing balance	**392**	**323**	**114**	**829**
Cost	427	1,330	363	2,120
Accumulated amortisation and impairments	(35)	(1,007)	(249)	(1,291)
Net carrying amount	**392**	**323**	**114**	**829**

Goodwill is reviewed for impairment by comparing the carrying amount of the cash generating unit (including goodwill) with the best estimate of the value in use of the cash generating unit. For this purpose, the best estimate of the value in use determined on the basis of cash flow forecasts is used first, as taken from annual medium-term plans drawn up as part of the annual planning cycle. The plans reflect management's best estimates of market conditions, market restrictions, discount rates (before taxation), growth in operations, etc. If the outcome shows that there is no material difference between the fair value and the carrying amount, the fair value is assessed in more detail, using the relevant share price for listed companies. In addition, Rabobank uses valuation models that are similar to those applied in the initial recognition of an acquisition, peer reviews, etc. The valuation models are tested and include the development of the activities since the acquisition, the most recent income and expenses forecasts drawn up by management, as well as updated forecasts, assessments of discount rates, final values of growth rates, etc. Peer reviews include an assessment of the price/earnings ratio and price/carrying amount ratio of similar listed companies, or similar market transactions. Assumptions are generally based on experience, management's best estimates of future developments and, if available, external data.

The impairment of goodwill is related to a subsidiary of DLL and is recognised in the business segment 'Leasing'. The outlook for the future profitability of this subsidiary deteriorated caused by lower future net profits due to the lower loan portfolio, the shift to lower margin business and higher expected credit losses due to Covid-19. These elements, in combination with the increase of minimum required capital due to the Basel IV output floor implementation gave an indication of potential impairment of the goodwill. The test to establish whether this potential impairment had occurred, resulted in an impairment of goodwill of EUR 70 million. This was mainly the result of a decline in future net profits for the next four years and a rise in the discount factor from 5.5% to 7.3% caused by a higher risk premium and beta. The recoverable amount is based on the value in use where future profits were used in a discounted cash flow calculation. On 31 December 2020, the remaining goodwill in respect of this subsidiary is nil. The impairment was recognised in the income statement as 'Impairment on goodwill and investments in associates'.

The remaining goodwill is allocated to one of the cash-generating units in the Domestic Retail segment. The carrying amount of this goodwill is EUR 322 million (2019: EUR 322 million) and the cash-generating unit is the collective of local Rabobanks. The recoverable amount is based on the value in use. The value in use is determined using cash flows expected in the near future based on financial forecasts. As the recoverable amount substantially exceeded the carrying amount, we concluded that the goodwill allocated to this cash-generating unit was not impaired. We consider a 10% increase in the discount rate or a 10% reduction in the future cash flows to be the maximums of possible changes in key assumptions. Such changes do not cause the carrying amount to exceed the recoverable amount and would not result in an impairment.

Impairments of software developed in-house and other intangible assets are not individually material. The total impairments of software developed in-house was EUR 10 million (2019: EUR 25 million).

16. Property and Equipment

Property and equipment

Amounts in millions of euros	*2020*	*2019*
Land and buildings	948	1,205
Equipment	260	275
Operating lease assets	2,924	3,114
Tangible fixed assets	**4,132**	**4,594**
Right-of-use assets	433	494
Total property and equipment	**4,565**	**5,088**

Tangible fixed assets

Amounts in millions of euros	*Land and buildings*	*Equipment*	*Operating lease assets*	*Tangible fixed assets*
Year ended December 31, 2020				
Opening balance	1,205	275	3,114	4,594
Foreign exchange differences	(4)	(3)	(162)	(169)
Purchases	35	48	1,071	1,154
Disposals	(1)	(14)	(353)	(368)
Transfers from financial lease	-	-	67	67
Transfers to held for sale	(31)	-	(103)	(134)
Impairments	(122)	-	-	(122)
Reversal impairments	-	-	-	-
Depreciation	(87)	(84)	-	(171)
Depreciation of operating lease assets	-	-	(727)	(727)
Other	(47)	38	17	8
Closing balance as per December 31	**948**	**260**	**2,924**	**4,132**
Cost	2,322	908	4,583	7,813
Accumulated depreciation and impairments	(1,374)	(648)	(1,659)	(3,681)
Net carrying amount as per December 31	**948**	**260**	**2,924**	**4,132**
Year ended December 31, 2019				
Cost	2,628	1,137	4,091	7,856
Accumulated depreciation and impairments	(1,285)	(825)	(1,291)	(3,401)
Net carrying amount as January 1	**1,343**	**312**	**2,800**	**4,455**
Opening balance	1,343	312	2,800	4,455
Foreign exchange differences	3	2	58	63
Purchases	43	82	1,286	1,411
Disposals	(5)	(20)	(274)	(299)
Transfers to held for sale	(81)	(13)	(81)	(175)
Impairments	(10)	-	-	(10)
Reversal impairments	32	-	-	32
Depreciation	(98)	(91)	-	(189)
Depreciation of operating lease assets	-	-	(693)	(693)
Other	(22)	3	18	(1)
Closing balance as per December 31	**1,205**	**275**	**3,114**	**4,594**
Cost	2,447	943	4,705	8,095
Accumulated depreciation and impairments	(1,242)	(668)	(1,591)	(3,501)
Net carrying amount as per December 31	**1,205**	**275**	**3,114**	**4,594**

The impairments and reversal impairments recognized per December 31, 2020 relate to property for own use in the Domestic Retail Banking segment. Vacancy of property as a result of the restructuring (decreasing use of square meters) triggered impairments calculations and resulted in impairments for a total amount of EUR 122 million (2019: EUR 10 million). In 2020 there no impairments were reversed (2019: EUR 32 million).

Leases

Rabobank has several lease contracts as a lessee, predominantly related to property used as office and to cars for employees. The consolidated statement of financial position shows the following amounts relating to leases:

Amounts in millions of euros	*2020*	*2019*
Property-lease	393	443
Car-lease	40	34
Other leases	-	17
Total right-of-use assets	**433**	**494**
Total lease liabilities	**504**	**542**

Additions to right-of-use assets during 2020 were 19 (2019: 36). The consolidated statement of income shows the following amounts relating to leases:

Amounts in millions of euros	*2020*	*2019*
Property-lease	85	79
Car-lease	19	14
Other leases	1	6
Depreciation charge of right-of-use assets	**105**	**99**
Interest expense	18	18
Expense relating to short-term leases	-	13
Expense relating to leases of low-value assets	-	-
Expense relating to variable lease payments not included in lease liabilities	9	-

The total cash outflow for leases in 2020 was 64 (2019: 60).

17. Investment Properties

Amounts in millions of euros	*2020*	*2019*
Cost	454	259
Accumulated depreciation and impairments	(83)	(66)
Net carrying amount as per January 1	**371**	**193**
Opening balance	371	193
Purchases	46	55
Sales	(5)	(7)
Transfers from other assets	49	124
Depreciation	(8)	(6)
Impairments	-	(1)
Reversal impairment	2	-
Other	(5)	13
Closing balance as per December 31	**450**	**371**
Cost	521	454
Accumulated depreciation and impairments	(71)	(83)
Net carrying amount as per December 31	**450**	**371**

The fair value of the investment properties amounts to EUR 550 million (2019: EUR 442 million). External valuations of investment properties were performed by duly certified external parties in accordance with RICS valuation standards or other equivalent standards. Investment properties are valued, for determining fair value, based on the methodologies which are most appropriate for that property. This includes the discounted cash flow valuation method and the capitalisation method based on net initial yields for comparable transactions.

Valuations		
	2020	*2019*
External valuations	67%	60%
Internal valuations	33%	40%

Most investment property is unique. There is often no active market for similar properties in the same location and condition. Appraisals of the different types of investment properties are based on many parameters, which are derived from current contracts and market information as much as possible. A certain degree of judgment and estimation cannot be avoided. Therefore, all investment property has been designated as level 3 in line with the fair value classification under IFRS 13. When determining the fair value of investment property, the parameters used include the following, depending on the type of property: current and expected future market rent per m2, current and expected future vacancy rates, location of the property, the marketability of the property, the average discount rate, the development budget, and any credit risks.

18. Other Assets

Other Assets

Amounts in millions of euros	*Note*	*2020*	*2019*
Receivables and prepayments		1,743	1,743
Accrued interest		618	950
Commodities and warehouse receipts		2,590	1,189
Real estate projects		1,637	1,810
Accrued income		433	408
Employee benefits	28	3	4
Other assets		483	506
Total other assets		**7,507**	**6,610**

Real Estate Projects

Amounts in millions of euros	*2020*	*2019*
Building sites	1,372	1,299
Work in progress	250	498
Finished goods	15	13
Total real estate projects	**1,637**	**1,810**

In 2020 the net realisable value of all current land operations and sites not subject to a zoning plan was calculated and compared with the carrying amount. This resulted in an addition of provisions of EUR 4 million (2019: release of EUR 14 million).

Movements in Provisions for Real Estate Projects

Amounts in millions of euros	*Balance on January 1, 2020*	*Additions/ release*	*Withdrawals/ other changes*	*Balance on December 31, 2020*
Building sites	374	4	14	392
Work in progress	58	3	(50)	11
Completed developments	4	-	8	12
Total	**436**	**7**	**(28)**	**415**

Amounts in millions of euros	*Balance on January 1, 2019*	*Additions/ release*	*Withdrawals/ other changes*	*Balance on December 31, 2019*
Building sites	411	(14)	(23)	374
Work in progress	65	(1)	(6)	58
Completed developments	4	-	(4)	4
Total	**480**	**(15)**	**(29)**	**436**

Work in Progress

Amounts in millions of euros	*2020*	*2019*
Residential property in preparation and under construction	1,059	1,232
Commercial property in development and under construction	-	23
Instalments invoiced in advance – residential property	(809)	(736)
Instalments invoiced in advance – commercial property	-	(21)
Total work in progress	**250**	**498**

19. Non-Current Assets Held for Sale

The non-current assets held for sale amount to EUR 52 million (2019: EUR 435 million) and include various types of real estate in the segments Domestic Retail Banking and Property Development for an amount of EUR 40 million. The carrying values are expected to be realized through sale rather than through continuing use.

20. Deposits from Credit Institutions

Amounts in millions of euros	*2020*	*2019*
Demand deposits	1,068	1,415
Fixed-term deposits	19,073	18,244
Repurchase agreements	439	1,522
Monetary instruments of central banks	40,518	4,000
Other deposits from credit institutions	64	63
Total deposits from credit institutions	**61,162**	**25,244**

See paragraph 2.1 "Changes in Accounting principles and Presentation" for the impact of the reclassification of the monetary instruments from central banks to Deposits from Credit Institutions.

21. Deposits from Customers

Amounts in millions of euros	*2020*	*2019*
Current accounts	107,706	89,010
Deposits with agreed maturity	56,411	59,627
Deposits redeemable at notice	190,699	180,159
Repurchase agreements	550	32
Fiduciary deposits	5,570	9,522
Other deposits from customers	92	186
Total deposits from customers	**361,028**	**338,536**

Non-monetary instruments from central banks amounting to EUR 12 billion (2019: EUR 13 billion) are included in "Deposits with agreed maturity". See paragraph 2.1 "Changes in Accounting principles and Presentation" for the impact of the reclassification of the monetary instruments from central banks to Deposits from Credit Institutions.

22. Debt Securities in Issue

Amounts in millions of euros	*2020*	*2019*
Certificates of deposit	16,421	19,387
Commercial paper	6,740	7,312
Issued bonds	77,156	84,276
Other debt securities	13,204	19,428
Total debt securities in issue	**113,521**	**130,403**

23. Financial Liabilities Held for Trading

Financial liabilities held for trading are mainly negative fair values of derivatives and delivery obligations that arise on the short selling of securities. Securities are sold short to realize gains from short-term price fluctuations. The securities needed to settle short sales are acquired through securities lending and repurchasing agreements. The fair value of the shares and bonds sold short are EUR 998 million (2019: EUR 399 million).

24. Financial Liabilities Designated at Fair Value

Amounts in millions of euros	*2020*	*2019*
Debt securities issued	4,382	5,592
Deposits	793	736
Total financial liabilities designated at fair value	**5,175**	**6,328**

The cumulative change in fair value of the financial liabilities designated at fair value attributable to changes in Rabobank's own credit risk amounts to EUR 145 million before taxes (2019: EUR 191 million).

The change in fair value that is attributable to changes in own credit risk is calculated by deducting on a note by note basis the current fair value of the structured notes portfolio at the reporting date from the fair value recalculated based on the prevailing credit curve at the time of origination, with all other pricing components unchanged. This calculation reflects the amount that can be attributed to the change in the own credit risk of Rabobank since the origination of these structured notes.

Transfers of the cumulative gains or losses within equity during the period and the amounts presented in other comprehensive income that are realized at derecognition are disclosed in Section 31 in the movement schedule of the "Revaluation Reserve – Fair Value Changes Due to Own Credit Risk on Financial Liabilities Designated at Fair Value".

The carrying value of the issued structured notes designated at fair value is EUR 61 million (2019: EUR 138 million) lower than the amount Rabobank is contractually obliged to repay to the holders of the structured notes.

25. Other Liabilities

Amounts in millions of euros	*Note*	*2020*	*2019*
Payables		4,452	4,022
Accrued interest		1,559	2,055
Lease liabilities		504	542
Employee benefits	28	221	230
Other		(89)	(14)
Total other liabilities		**6,647**	**6,835**

26. Provisions

Amounts in millions of euros	*Note*	*2020*	*2019*
Restructuring provision		292	271
Provision for legal issues		84	198
Impairment allowances on loan commitments and financial guarantees	4.3.4	142	146
Other provisions		101	168
Total provisions		**619**	**783**

Amounts in millions of euros	*Restruct-uring provision*	*Provision for legalissues*	*Other provisions*	*Total*
Opening balance on January 1, 2020	271	198	168	637
Additions	102	50	89	241
Withdrawals	(50)	(95)	(135)	(280)
Releases	(31)	(69)	(21)	(121)
Closing balance on December 31, 2020	**292**	**84**	**101**	**477**
Opening balance on January 1, 2019	318	469	230	1,017
Change in accounting policy IFRS 16	-	-	(25)	(25)
Additions	122	68	88	278
Withdrawals	(140)	(264)	(114)	(518)
Releases	(29)	(75)	(11)	(115)
Closing balance on December 31, 2019	**271**	**198**	**168**	**637**

The additions to the restructuring provision include an amount of EUR 60 million (2019: EUR 75 million) for the reorganization program of the local Rabobanks. This reorganization provision consists of future payments relating to redundancy pay and other costs directly attributable to the reorganization program. These expenses are included when a redundancy scheme is drawn up and communicated to stakeholders. The expected outflow of funds will occur in 2021, 2022 and 2023.

A release of EUR 18 million (2019: addition EUR 40 million) in the provision for legal issues was made for the SME interest rate derivatives recovery framework. For additional information, see Section 4.10, "Legal and arbitration proceedings".

Maturities of Provisions

Amounts in millions of euros	*2020*	*2019*
Not exceeding one year	370	602
Longer than 1 year but less than 5 years	242	178
Longer than 5 years	7	3
Total	**619**	**783**

27. Deferred Taxes

Deferred tax assets and liabilities are measured for all temporary differences using the liability-method. Deferred tax assets recognized with respect to carry-forward losses and temporary deductible differences can only be utilized if taxable profits are realized in the future. On December 31, 2020, Rabobank expects that sufficient taxable profits will be generated within the applicable periods.

No deferred tax asset has been recognised for unused tax losses totalling EUR 756 million (2019: EUR 566 million) of which EUR 82 million (2019: EUR 14 million) relates to tax losses with an infinite expiry date and EUR 674 million (2019: EUR 552 million) to city and state tax losses in the US with a latest expiry date in 2032. The tax effect of these unused tax losses amounts to EUR 66 million (2019: EUR 41 million).

	Deferred tax assets	*Deferred tax liabilities*	*Deferred tax charges*	*Tax on other compre-hensive income*
Amounts in millions of euros				
On December 31, 2020				
Pensions and other post-employment benefits	34	-	-	(8)
Impairment allowances on financial assets	282	(19)	(144)	-
Provisions	21	-	(6)	-
Hedge accounting	191	-	(44)	-
Carry forward losses	123	(15)	161	-
Tax credits	53	(2)	60	-
Goodwill and other intangible assets	-	-	-	-
Revaluation reserves for financial assets at fair value through other comprehensive income	(65)	-	-	21
Revaluation reserves – Cash flow hedges	13	-	-	(7)
Revaluation reserves – Costs of hedging	(12)	-	-	(1)
Revaluation reserve – Fair value changes due to own credit risk on financial liabilities designated at fair value	36	-	-	4
Property and equipment, including operating leases	112	406	(269)	-
Other temporary differences	61	60	25	-
Total	**849**	**430**	**(217)**	**9**

	Deferred tax assets	*Deferred tax liabilities*	*Deferred tax charges*	*Tax on other compre-hensive income*
Amounts in millions of euros				
On December 31, 2019				
Pensions and other post-employment benefits	30	-	1	1
Impairment allowances on financial assets	229	-	46	-
Provisions	15	(3)	3	-
Hedge accounting	147	-	(42)	-
Carry forward losses	219	(150)	38	-
Tax credits	106	(63)	50	-
Goodwill and other intangible assets	-	-	2	-
Revaluation reserves for financial assets at fair value through other comprehensive income	(41)	6	(7)	14
Revaluation reserves – Cash flow hedges	6	-	3	2
Revaluation reserves – Costs of hedging	(13)	-	6	(1)
Revaluation reserve – Fair value changes due to own credit risk on financial liabilities designated at fair value	40	-	-	(31)
Property and equipment, including operating leases	75	672	(10)	-
Other temporary differences	120	78	32	-
Total	**933**	**540**	**122**	**(15)**

28. Employee Benefits

Amounts in millions of euros	*2020*	*2019*
Employee benefits – assets	(3)	(4)
Employee benefits – liabilities	221	230
Total employee benefits	**218**	**226**
Pension plans	128	118
Other employee benefits	90	108
Total employee benefits	**218**	**226**

28.1 Pension Plans

Rabobank has placed its Dutch pension plan with Rabobank Pension Fund. The scheme is a collective defined contribution plan with a pensionable age of 68 and a target accrual percentage of 2. Each year Rabobank deposits pension contributions into the Rabobank Pension Fund based on a fixed system which aims to achieve the target pension accrual for services provided during the year of service based on a conditional career-average plan with a conditional indexation. Rabobank complies with all its pension obligations by paying the annual pension premium and therefore has no financial liabilities with regard to underlying membership years and already accrued pension rights.

The Dutch pension plan qualifies as a defined contribution plan under IAS 19. Rabobank's obligation is limited to the premium payments owed, less previously made payments. As of December 31, 2020, a few small plans qualify as defined benefit pension plans. These are career-average defined benefit pension plans, administered by a fund or otherwise that are related to the remuneration of employees upon retirement and which mostly pay annual pensions. Annual contributions are paid to the funds at a rate necessary to adequately finance the accrued liabilities of the plans calculated in accordance with local legal requirements. The assets related to the plans maintained in a fund are held independently of Rabobank assets in separate funds managed by trustees. The obligations are valued each year by independent actuaries based on the method prescribed by IFRS. The most recent actuarial valuations were performed at the end of 2020. The tables with the weighted averages of the main actuarial assumptions, the sensitivity analysis and the future premium payments relate to the pension plan of Friesland Bank.

Amounts in millions of euros	*2020*	*2019*
Defined benefit obligation	569	546
Fair value of plan assets	441	428
Net defined benefit obligation	**128**	**118**

Movements in plan assets and liabilities:

Amounts in millions of euros	*2020*	*2019*
Defined benefit obligation		
Opening balance	545	487
Exchange rate differences	(8)	1
Interest expense	6	10
Benefits paid	(15)	(15)
Settlements	-	(13)
Plan amendment	(9)	-
Other	9	3
Experience adjustments	(2)	3
Actuarial gains and losses arising from changes in demographic assumptions	-	1
Actuarial gains and losses arising from changes in financial assumptions	43	69
Defined benefit obligation on December 31	**569**	**546**
Fair value of plan assets		
Opening balance	427	369
Exchange rate differences	(5)	5
Interest income	4	8
Contributions paid by employer	10	6
Benefits paid	(13)	(15)
Settlements	-	-
Other	-	2
Experience adjustments	1	4
Remeasurements arising from changes in financial assumptions plan assets	17	49
Fair value of plan assets on December 31	**441**	**428**

The costs recognized in profit and loss are shown in the table below.

Amounts in millions of euros	*2020*	*2019*
Interest expense on liabilities	6	10
Interest income on plan assets	(4)	(8)
Losses/(gains) on curtailments, settlements and costs	(2)	(1)
Total cost of defined benefit pension plans	**-**	**1**

Main Actuarial Assumptions

The main actuarial assumptions for the valuation of the defined benefit obligation are the discount rate, the salary increases, and the price inflation. Recent mortality tables have also been used for the valuation of the respective plans. The weighted averages of the actuarial financial assumptions are shown in the table below (in % per year):

	2020	*2019*
Discount rate	0.4%	0.8%
Salary increases	1.3%	1.3%
Price inflation	1.3%	1.3%

Sensitivity Analysis
Rabobank is exposed to risks regarding their defined benefit plans related to the assumptions disclosed in the table below. The sensitivity analysis of these most significant assumptions has been determined based on changes of the assumptions occurring at the end of the reporting period that are deemed reasonably possible.

Amounts in millions of euros	*Change in assumption*	*Effect on defined benefit obligation of increase*		*Effect on defined benefit obligation of decrease*	
		2020	*2019*	*2020*	*2019*
Discount rate	0.25%	(16)	(16)	17	17
Salary increases	0.25%	3	7	(3)	(7)
Price inflation	0.25%	-	-	-	-
Mortality	1 year	17	14	(17)	(14)

Estimated Contribution
The estimated contributions to defined benefit pension plans for 2020 are approximately EUR 9 million (2019: EUR 9 million).

Average Duration
The average duration of the defined benefit plan of Friesland Bank is 17 years (2019: 18 years).

28.2 Other Employee Benefits
Other employee benefits mainly consist of liabilities for future long-service awards .

29. Subordinated Liabilities

Amounts in millions of euros	*2020*	*2019*
Issued by Rabobank	13,486	15,777
Other	-	13
Total subordinated liabilities	**13,486**	**15,790**

The following table shows details of the issues of subordinated liabilities :

Subordinated Liabilities issued by Rabobank

Notional (Amounts in millions)	*Currency*	*Coupon*	*Year of issuance*	*Year of maturity*
500	USD	4.00%	2017	2029, early repayment date 2024
1,500	USD	3.75%	2016	2026
1,500	USD	4.375%	2015	2025
1,250	USD	5.25%	2015	2045
1,000	GBP	4.625%	2014	2029
2,000	EUR	2.50%	2014	2026, early repayment date 2021
50,800	JPY	1.429%	2014	2024
1,000	EUR	3.875%	2013	2023
1,750	USD	4.625%	2013	2023
1,250	USD	5.75%	2013	2043
1,000	EUR	4.125%	2012	2022
500	GBP	5.25%	2012	2027
1,500	USD	3.95%	2012	2022
10	EUR	4.21%	2005	2025
10	EUR	5.32%	2004	2024

30. Contingent Liabilities

Credit Related Contingent Liabilities
Rabobank enters into irrevocable loan commitments and contingent liabilities consisting of financial guarantees and standby letters of credit on behalf of its customers. Under these contracts Rabobank is required to perform under an obligation agreement or to make payments to the beneficiary on third party's failure to meet its obligations. The following table shows the amount of the maximum potential utilization of credit related contingent liabilities.

Amounts in millions of euros	*2020*	*2019*
Financial guarantees	3,381	3,726
Loan commitments	41,877	35,089
Other commitments	20,069	19,353
Credit related contingent liabilities	**65,327**	**58,168**

Contingent Liabilities Related to Litigation
Rabobank is involved in a number of legal and arbitration proceedings in the Netherlands and other countries, including the United States, in connection with claims brought by and against Rabobank arising from its operations. For additional information, refer to Section 4.10 "Legal and Arbitration Proceedings".

Payments Receivable from Operating Leases
Rabobank has concluded various operating lease contracts as lessor. The future minimum lease payments receivable from non-cancellable operating leases can be broken down as follows:

Amounts in millions of euros	*2020*	*2019*
Not exceeding 1 year	417	692
1 to 2 years	580	547
2 to 3 years	399	351
3 to 4 years	256	212
4 to 5 years	127	158
More than 5 years	113	112
Total payments receivable from operating leases	**1,892**	**2,072**

Other Contingent Liabilities
The contractual commitments relating to the acquisition, construction and development of work in progress and investment properties amounts to EUR 559 million (2019: EUR 484 million).

31. Reserves and Retained Earnings

Amounts in millions of euros	*2020*	*2019*
Foreign currency translation reserves	(1,412)	(742)
Revaluation reserve – Financial assets at fair value through other comprehensive income	321	308
Revaluation reserve – Cash flow hedges	(47)	(26)
Revaluation reserve – Costs of hedging	36	46
Revaluation reserve – Assets held for sale	-	(26)
Remeasurement reserve – Pensions	(171)	(170)
Revaluation reserve – Fair value changes due to own credit risk on financial liabilities designated at fair value	(109)	(143)
Retained earnings	29,234	28,910
Total reserves and retained earnings at year-end	**27,852**	**28,157**

Changes in the reserves were as follows:

Amounts in millions of euros	*2020*	*2019*
Foreign currency translation reserves		
Opening balance	(742)	(817)
Translation of foreign operations	(978)	217
Changes in hedging instrument	278	(73)
Changes at associates and joint ventures	(13)	(5)
Transferred to profit or loss	43	(64)
Closing balance	**(1,412)**	**(742)**
Revaluation reserves – Debt instruments at fair value through other comprehensive income		
Opening balance	131	23
Foreign exchange differences	(12)	-
Changes at associates and joint ventures	(10)	104
Fair value changes	149	20
Transferred to profit or loss	(93)	(21)
Transfers to assets held for sale	-	5
Closing balance	**165**	**131**
Revaluation reserves – Equity instruments at fair value through other comprehensive income		
Opening balance	177	217
Foreign exchange differences	-	-
Changes at associates and joint ventures	-	-
Fair value changes	(15)	39
Transferred to retained earnings	(3)	1
Transferred to assets held for sale	-	(71)
Other	(3)	(9)
Closing balance	**156**	**177**
Revaluation reserve – Cash flow hedges		
Opening balance	(26)	(40)
Foreign exchange differences	(62)	19
Fair value changes	37	(10)
Transferred to profit or loss	4	5
Closing balance	**(47)**	**(26)**
Revaluation reserve – Costs of hedging		
Opening balance	46	30
Foreign exchange differences	-	(2)
Fair value changes	(10)	20
Transferred to profit or loss	-	(2)
Closing balance	**36**	**46**
Revaluation reserve – Assets held for sale		
Opening balance	(26)	(35)
Transfers from revaluation reserves	-	66
Fair value changes	-	9
Disposal of assets	26	(66)
Closing balance	**-**	**(26)**
Remeasurement reserve – Pensions		
Opening balance	(170)	(145)
Changes at associates and joint ventures	9	(5)
Remeasurements defined benefit plans	(10)	(20)
Closing balance	**(171)**	**(170)**
Revaluation reserve – Fair value changes due to own credit risk on financial liabilities designated at fair value		
Opening balance	(143)	(31)
Fair value changes	35	(112)
Realisation at derecognition	(1)	-
Closing balance	**(109)**	**(143)**
Retained earnings		
Opening balance	28,910	28,062
Net profit	1,055	2,157
Payments on equity instruments	(234)	(904)
Redemption of Capital Securities	(120)	(493)
Disposal of financial assets at fair value through other comprehensive income	-	71
Distribution in the form of Rabobank Certificates	(376)	-
Other	(1)	17
Closing balance	**29,234**	**28,910**
Total reserves and retained earnings	**27,852**	**28,157**

32. Rabobank Certificates

Rabobank Certificates represent participation rights issued by Rabobank via the foundation Stichting Administratie Kantoor Rabobank Certificaten and belong to the Common Equity Tier 1 capital of Rabobank. The Rabobank Certificates are listed on Euronext Amsterdam.

The total number of certificates is 313,005,461 with a nominal value of EUR 25 each. The actual payment policy of Rabobank pursuant to the Participation Rules in respect of the participation issued by Rabobank (and via AK Foundation in respect of the Rabobank Certificates) can be found on the Rabobank website.

In March 2020, the European Central Bank (ECB) issued a recommendation to banks not to pay dividends until at least October 1, 2020. The ECB updated this recommendation on July 27, 2020 and extended this period to January 1, 2021. Based on this recommendation the Managing Board of Rabobank decided not to pay a cash distribution in 2020. Instead of a cash distribution, the Managing Board decided to make an exceptional distribution of the approximate equivalent of EUR 1.625 per Rabobank Certificate, in the form of Rabobank Certificates. The distribution ratio for the exceptional distribution was one new Rabobank Certificate for every 19.81 Rabobank Certificates a holder held. The distribution ratio was based on the volume-weighted average prices of all traded Rabobank Certificates at Euronext Amsterdam on the 1st, 2nd, and 3rd of December 2020 (VWAP), of EUR 33.81. The VWAP has been reduced by EUR 1.625, resulting in a reference price of EUR 32.18. Subsequently dividing the reference price by EUR 1.625 resulted in the distribution ratio of 19.81. If the number of new Rabobank Certificates to be distributed to a holder did not correspond to a whole number of Rabobank Certificates, the fractions were settled in cash. On 8 December 2020 15,044,096 new Rabobank Certificates were issued. The total nominal amount of outstanding Rabobank Certificates increased to EUR 7,825,136,525. Delivery of the new Rabobank Certificates and cash fractions (if applicable) to holders took place as of 9 December 2020.

On December 15, 2020 the European Central Bank (ECB) issued a recommendation to banks to refrain from or limit dividends until at least September 30, 2021. Rabobank adheres to the recommendation and announced on February 11, 2021 its intention to make a quarterly distribution of EUR 0.13674 per Rabobank Certificate on March 29, June 29 and September 29, 2021 respectively. Rabobank has the intention to revert to its payment policy in case the ECB withdraws any recommended limitations on dividend distribution. At that time Rabobank will - at its full discretion – decide on any future distributions thereby considering whether it is prudent to make a distribution, and if so, the level of such distribution.

The cash distribution paid per certificate in 2019 was EUR 1.625. The amounts listed in the table below are based on the nominal value of EUR 25 per Rabobank Certificate. Cash flows arising from changes during the year in the Rabobank Certificates are included in the consolidated statement of cash flows.

Amounts in millions of euros	*2020*	*2019*
Changes during the year:		
Opening balance	7,449	7,445
Distribution in the form of Rabobank Certificates	376	-
Change in Rabobank Certificates during the year	(3)	4
Closing balance	**7,822**	**7,449**

33. Capital Securities

Capital Securities
All Capital Securities are perpetual securities and have no expiry date. The discretionary distribution on Capital Securities per issue is as follows:

33.1 Capital Securities Issued by Rabobank

Issue of EUR 1,250 Million
The coupon is 6.625% per year and is made payable every six months in arrears as of the issue date (April 26, 2016), for the first time on June 29, 2016. The Capital Securities are perpetual and first redeemable on June 29, 2021. As of June 29, 2021, and subject to Capital Securities not being redeemed early, the distribution is set for a five-year period, but without a step-up, based on the 5-year euro swap rate + 6.697%. The coupon is fully discretionary.

Issue of EUR 1,000 Million
The coupon is 4.625% per year and is made payable every six months in arrears as of the issue date (September 11, 2018), for the first time on December 29, 2018. The Capital Securities are perpetual and first redeemable on December 29, 2025. As of December 29, 2025, and subject to Capital Securities not being redeemed early, the distribution is set for a five-year period, but without a step-up, based on the 5-year euro swap rate + 4.098%. The coupon is fully discretionary.

Issue of EUR 1,250 Million
The coupon is 3.25% per year and is made payable every six months in arrears as of the issue date (September 9, 2019), for the first time on December 29, 2019. The Capital Securities are perpetual and first redeemable on December 29, 2026. As of December 29, 2026, and subject to Capital Securities not being redeemed early, the distribution is set for a five-year period, but without a step-up, based on the 5-year euro swap rate + 3.702%. The coupon is fully discretionary.

Issue of EUR 1,000 Million
The coupon is 4.375% per year and is made payable every six months in arrears as of the issue date (July 14, 2020), for the first time on December 29, 2020. The Capital Securities are perpetual and first redeemable on December 29, 2027. As of December 29, 2027, and subject to Capital Securities not being redeemed early, the distribution is set for a five-year period, but without a step-up, based on the 5-year euro swap rate + 4.679%. The coupon is fully discretionary.

Issue of GBP 250 Million
The coupon is 6.91% per year and is made payable every six months in arrears as of the issue date (June 10, 2008), for the first time on December 10, 2008. As of June 10, 2038, the coupon will be payable every six months based on the six-month GBP Libor plus an annual 2.825% mark-up. The coupon is payable at the issuer's discretion. In case Rabobank does not use its discretionary power to not pay distributions on the Rabobank Certificates, payment on this instrument will also apply. After the redemption as a result of the tender offer, a principal amount of GBP 33 million remains as per 31 December 2020.

33.2 Capital Securities Issued by Rabobank That Were Redeemed During the Reporting Year

Issue of EUR 1,500 Million
Rabobank issued the EUR 1,500 million Capital Securities on January 22, 2005. In accordance with the Terms and Conditions of these Capital Securities, Rabobank redeemed these Capital Securities on the first call date, of June 29, 2020.

Issue of GBP 250 Million
Rabobank issued the GBP 250 million on June 10, 2008. On 7 October 2020, Rabobank launched its invitation to holders to tender these Capital Securities for purchase by Rabobank for cash. The offer was made on the terms and subject to the conditions contained in the tender offer memorandum dated 7 October 2020. Rabobank accepted all validly tendered Capital Securities pursuant to the offer for purchase for cash in an aggregate principal amount of GBP 217 million.

34. Other Non-Controlling Interests

This item relates to shares held by non-controlling parties in Rabobank subsidiaries.

Amounts in millions of euros	*2020*	*2019*
Opening balance	477	481
Net profit	41	46
Exchange rate differences	(34)	4
Entities included in consolidation/deconsolidated	(2)	-
Dividends	(5)	(50)
Other	(1)	(4)
Closing balance	**476**	**477**

The Rabobank subsidiaries with the largest non-controlling interests are Cargobull Finance Holding and AGCO Finance SNC. Both entities are accounted for in the segment Leasing.

Cargobull Holding B.V. is based in Eindhoven, Netherlands, and Rabobank has a capital and voting right interest of 51%. The non-controlling interests with regard to this entity amount to EUR 72 million (2019: EUR 66 million). The following financial data apply:

Cargobull Holding B.V.		
Amounts in millions of euros	***2020***	***2019***
Revenues	46	57
Net profit	12	11
Other comprehensive income	-	-
Total comprehensive income	**12**	**11**
Profit attributable to non-controlling interests	6	6
Dividends paid to non-controlling interests	-	-
Financial assets	525	704
Other assets	97	138
Financial liabilities	452	671
Other liabilities	24	37

AGCO Finance SNC is located in Beauvais, France, and Rabobank has a capital and voting right interest of 51.0%. The non-controlling interests with regard to this entity amount to EUR 107 million (2019: EUR 97 million). The following financial data apply:

AGCO Finance SNC		
Amounts in millions of euros	*2020*	*2019*
Revenues	43	37
Net profit	19	-10
Other comprehensive income	-	-
Total comprehensive income	**19**	**-10**
Profit attributable to non-controlling interests	9	-5
Dividends paid to non-controlling interests	-	4
Financial assets	1,942	1,800
Other assets	1	14
Financial liabilities	1,663	1,554
Other liabilities	62	62

35. Changes in Liabilities Arising from Financing Activities

Amounts in millions of euros	*Debt securities in issue*	*Subordinated liabilities*	*Total*
Year ended December 31, 2020			
Opening balance	130,403	15,790	146,193
Changes from financing cash flows	(13,519)	(1,511)	(15,030)
Effect of changes in foreign exchange rates	(4,252)	(813)	(5,065)
Other non-cash changes	889	20	909
Closing balance	**113,521**	**13,486**	**127,007**
Year ended December 31, 2019			
Opening balance	130,806	16,498	147,304
Changes from financing cash flows	(3,507)	(999)	(4,506)
Effect of changes in foreign exchange rates	1,457	270	1,727
Other non-cash changes	1,647	21	1,668
Closing balance	**130,403**	**15,790**	**146,193**

36. Net Interest Income

Amounts in millions of euros	*2020*	*2019*
Interest income		
Cash and cash equivalents	110	390
Loans and advances to credit institutions	79	154
Loans and advances to customers	12,779	14,907
Derivatives used for fair value hedge-accounting	187	9
Financial assets at fair value through other comprehensive income	207	410
Interest income from financial assets using the effective interest method	**13,362**	**15,870**
Financial assets held for trading	30	29
Financial assets mandatorily at fair value	22	29
Interest income on financial liabilities with a negative interest rate	269	112
Other	93	89
Other interest income	**414**	**259**
Total interest income	**13,776**	**16,129**
Interest expense		
Deposits from credit institutions	117	182
Deposits from customers	1,691	2,598
Debt securities in issue	2,034	3,025
Financial liabilities held for trading	7	5
Derivatives held as economic hedges	598	696
Financial liabilities designated at fair value	139	164
Subordinated liabilities	661	728
Interest expense on financial assets with a negative interest rate	315	249
Other	30	27
Total interest expense	**5,592**	**7,674**
Net interest income	**8,184**	**8,455**

Capitalized interest attributable to qualifying assets amounted to EUR 17 million (2019: EUR 17 million). The average interest rate applied in determining interest charges to be capitalized ranged between 1% and 4% (2019: between 1% and 6%). The interest income on credit-impaired financial assets accrued is EUR 344 million (2019: EUR 420 million). The interest income on the TLTRO-III deposits amounted to EUR 66 million.

37. Net Fee and Commission Income

Amounts in millions of euros	*2020*	*2019*
Fee and commission income		
Payment services	725	754
Lending	417	500
Purchase and sale of other financial assets and handling fees	301	334
Insurance commissions	345	297
Investment management	1	4
Custodial fees and securities services	-	5
Lease-related fee	55	69
Other commission income	235	216
Total fee and commission income	**2,079**	**2,179**
Fee and commission expense		
Payment services	201	217
Purchase and sale of other financial assets and handling fees	45	53
Custodial fees and securities services	9	8
Other commission expense	44	43
Total fee and commission expense	**299**	**321**
Net fee and commission income	**1,780**	**1,858**

See paragraph 2.1 "Changes in Accounting principles and Presentation" for the impact of the reclassification of expenses on payment services.

38. Net Income from Other Operating Activities

Amounts in millions of euros	*2020*	*2019*
Income from real estate activities	1,354	1,238
Expenses from real estate activities	1,066	969
Net income real estate activities	**288**	**269**
Income from operational lease activities	914	887
Expenses from operational lease activities	734	700
Net income from operational lease activities	**180**	**187**
Income from investment property	26	29
Expenses from investment property	14	15
Net income from investment property	**12**	**14**
Net income from other operating activities	**480**	**470**

All expenses from investment properties relate to properties that are leased.

39. Income from Investments in Associates and Joint Ventures

Amounts in millions of euros	*2020*	*2019*
Rabobanks share of profit of investments in associates and joint ventures	190	193
Result on disposal of investments in associates and joint ventures	-	(1)
Income from investments in associates and joint ventures	**190**	**192**

40. Gains/ (Losses) on Financial Assets and Liabilities at Fair Value through Profit or Loss

Amounts in millions of euros	*2020*	*2019*
Gains/ (losses) on financial assets and liabilities held for trading and from derivatives held for trading	(242)	(5)
Gains/ (losses) on financial assets mandatorily at fair value through profit or loss	58	141
Gains/ (losses) on financial liabilities designated at fair value and derivatives used to hedge the interest rate risk of those financial liabilities	(16)	20
Total gains/ (losses) on financial assets and liabilities at fair value through profit or loss	**(200)**	**156**

Gains/ (losses) on other financial liabilities designated at fair value and derivatives used to hedge the interest rate risk of those financial liabilities mainly relate to fair value changes of the structured notes portfolio attributable to changes in i) market interest rates and ii) day-one gains that are directly recognized in profit or loss for an amount of EUR -10 million (2019: EUR 5 million). The results related to fair value changes of the structured notes due to changes in market interest rates are largely offset by the fair value changes of the derivatives used to hedge this interest rate risk.

Amounts in millions of euros	*2020*	*2019*
Gains/ (losses) on interest rate instruments	471	227
Gains/ (losses) on equity instruments	(42)	(5)
Gains/ (losses) on foreign currency instruments	(645)	(20)
Translation gains/ (losses) on foreign currency	(20)	26
Other	36	(72)
Gains/ (losses) on financial assets and liabilities at fair value through profit or loss	**(200)**	**156**

41. Other Income

Amounts in millions of euros	*2020*	*2019*
Gains/ (losses) arising from the derecognition of financial liabilities at amortised cost	3	(1)
Result on sale of group companies	19	373
Other	198	153
Other income	**220**	**525**

The gain on sale of Rabobank National Association in 2019 is included in line-item "Result on sale of group companies".

42. Staff Costs

Amounts in millions of euros	*2020*	*2019*
Wages and salaries	2,656	2,660
Social security contributions and insurance costs	277	331
Pension costs - defined contribution plans	403	408
Pension costs - defined benefit pension plans	-	1
Training and travelling expenses	96	191
Addition/ (release) of other post-employment provisions	52	18
Other staff costs	1,200	1,212
Staff costs	**4,684**	**4,821**

Expressed in FTEs, the number of internal and external employees in Rabobank was 43,272 (2019: 43,247).

Rabobank has a Group Remuneration Policy which is updated on a regular basis and includes the provisions under the Dutch Act on Remuneration Policies for Financial Companies. Insofar as employees in the Netherlands are still eligible for variable remuneration, it never amounts to more than an average of 20% of the fixed income. Outside the Netherlands, any variable remuneration never amounts to more than 100% of the fixed income. Insofar as identified staff (employees who can have a material influence on the risk profile of Rabobank Group) are eligible for variable remuneration, it is awarded for periods in which the risks associated with the underlying business activities are adequately taken into account. Payment of a significant portion of variable remuneration is therefore deferred; 40% of the variable pay is paid on a deferred basis. If the total variable pay exceeds €500,000, 60% of the total variable pay will be deferred. The immediate portion of variable remuneration is unconditional, whereas the deferred portion is conditional. The deferred portion vests after three years if the conditions are met, or after five years when rewarded to 'senior management'. Among other things, Rabobank assesses whether there has been a significant reduction in financial performance or a significant change in risk management at Rabobank or one of its business unit that puts the circumstances assessed when the relevant variable remuneration was awarded in a different perspective. In principle, the right to any provisionally allocated remuneration lapses when the staff member's employment ends. 50% of both the direct and the deferred portion of the variable remuneration is allocated in cash. The cash component of the direct portion is immediately awarded following allocation. The cash component of the deferred portion is awarded to employees only after vesting (after a period of three or five years). 50% of the direct and the deferred portion of the variable remuneration is allocated in the form of an instrument (instrument component) i.e. the Deferred Remuneration Note (DRN). The value of a DRN is linked directly to the price of a Rabobank Certificate (RC) as listed on the NYSE Euronext. The instrument component is converted into DRNs at the time of allocation on completion of the performance year. The number of DRNs is determined on the basis of the closing rates for Rabobank Certificates, as traded on the NYSE Euronext during the first five trading days of February of each year. This therefore represents both the instrument component of the direct and the deferred portion of the variable remuneration. The final value of the DRNs relating to the deferred portion is established on vesting (after a period of three or five years). The payment of the instrument component is subject to a one year retention period. After the end of the retention period, the employee receives, for each DRN (or a portion thereof) an amount in cash that corresponds with the value of the DRN at that moment.

Payment of the variable remuneration is measured in accordance with IAS 19 Employee benefits. The immediate portion of the variable remuneration is recognized in the performance year, whereas the deferred portion is recognised in the years before vesting.

The same system also applies, in broad terms, to non-identified staff, although no deferral policy applies to the first one hundred thousand euros. Both the immediate and the deferred portion are paid fully in cash, which means that no DRNs are awarded.

On December 31, 2020, the costs of equity instrument-based payments were EUR 9 million (2019: EUR 12 million) and a liability of EUR 27 million was recognized (2019: EUR 36 million) of which EUR 9 million (2019: EUR 18 million) was vested. The costs of variable remuneration paid in cash were EUR 138 million (2019: EUR 160 million). The number of outstanding DRNs is presented in the following table.

in thousands	*2020*	*2019*
Opening balance	1,433	1,484
Awarded during the year	291	378
Paid during the year	(525)	(356)
Changes from previous year	(34)	(73)
Closing balance	**1,165**	**1,433**

The value of a DRN is linked directly to the price of a Rabobank Certificate. The estimated payments to be made for the variable remuneration are shown in the following table.

On December 31, 2020			*Year of payment*					
Amounts in millions of euros	*2021*	*2022*	*2023*	*2024*	*2025*	*2026*	*2027*	*Total*
Variable remuneration, excluding DRNs	138.2	6.4	4.9	3.6	1.0	0.0	-	154.2
DRNs	16.0	9.3	3.7	2.4	1.1	0.9	0.0	33.4
Total	**154.2**	**15.8**	**8.6**	**6.0**	**2.1**	**0.9**	**0.0**	**187.6**

On December 31, 2019			*Year of payment*					
Amounts in millions of euros	*2020*	*2021*	*2022*	*2023*	*2024*	*2025*	2026	Total
Variable remuneration, excluding DRNs	163.9	7.4	5.8	4.2	0.2	0.1	-	199.8
DRNs	16.0	17.6	4.6	3.2	1.7	0.2	0.1	41.8
Total	**179.9**	**25.1**	**10.4**	**7.3**	**1.9**	**0.3**	**0.1**	**241.6**

43. Other Administrative Expenses

Amounts in millions of euros	*2020*	*2019*
Additions and releases of provisions	120	163
IT expenses and software costs	365	371
Consultants fees	375	388
Publicity expenses	92	150
Result on derecognition and impairments on (in)tangible assets	124	(4)
Other expenses	387	647
Other administrative expenses	**1,463**	**1,715**

The other expenses in 2020 were impacted by a VAT relief.

44. Depreciation and Amortization

Amounts in millions of euros	*2020*	*2019*
Depreciation of tangible fixed assets	171	189
Depreciation of right-of-use assets	105	99
Amortization of intangible assets	119	132
Depreciation and amortization	**395**	**420**

45. Impairment Charges on Financial Assets

Amounts in millions of euros	*2020*	*2019*
Loans and advances to customers and credit institutions	2,034	1,035
Financial assets at fair value through other comprehensive income	-	(1)
Recoveries following write-off	(103)	(103)
Loan commitments and financial guarantees	(18)	44
Impairment charges on financial assets	**1,913**	**975**

46. Regulatory Levies

The regulatory levies consist of bank tax, bank levies and contributions to the Single Resolution Fund and the Deposit Guarantee Scheme.

Amounts in millions of euros	*2020*	*2019*
Bank tax Netherlands	136	133
Bank tax other countries	10	8
Contribution Single Resolution Fund	225	206
Contribution Deposit Guarantee Fund	177	137
Regulatory levies	**548**	**484**

47. Income Tax

Amounts in millions of euros	*2020*	*2019*
Income tax		
Reporting period	693	731
Adjustments of previous years	(73)	78
Recognition of previously unrecognized tax losses	(3)	(3)
Deferred tax	(217)	32
Total income tax	**400**	**838**

The effective tax rate was 26.7% (2019: 27.6%) and differed from the theoretical rate that would have arisen using the Dutch corporate tax rate. This difference is explained as follows:

Amounts in millions of euros	*2020*		*2019*	
Operating profit before taxation		1,496		3,041
Applicable tax rate	25%	374	25%	760
Increase/(decrease) in taxes resulting from:				
Tax-exempt income	(0.9%)	(14)	(2.7%)	(82)
Impact of foreign tax rates	2.7%	41	0.7%	20
Non-deductible expenses	6.9%	103	2.0%	62
Recognition of previously unrecognized tax losses	(0.2%)	(3)	(0.1%)	(3)
Other permanent differences	(4.8%)	(72)	(1.7%)	(52)
Adjustments of previous years	(4.9%)	(73)	2.6%	78
Adjustment due to changes in tax rates	(1.3%)	(19)	(0.6%)	(19)
Write down deferred tax	2.2%	33	-	-
Other non-recurring tax items	2.0%	30	2.4%	74
Total income tax	**26.7%**	**400**	**27.6%**	**838**

The other permanent differences mainly consist of the tax effect on the 2020 interest payments on Capital Securities. The tax effect on interest payments on Capital Securities for the year 2019 is included in the "adjustments of previous years" for an amount of EUR 56 million following a verdict of the Supreme Court in a case concerning the deductibility of interest on similar instruments.

The main items reported under the non-deductible expenses are the tax effect of EUR 28 million of non-deductible interest following the introduction of the Dutch thin capitalisation rules for banks and insurers in 2020 and the tax effect of the non-deductible bank tax.

48. Transactions with Related Parties

Two parties are considered related if one party exercises control or has significant influence over the other party regarding financial or operating decisions. In the normal course of business, Rabobank conducts a wide variety of transactions with related entities. These involve different types of loans, deposits and transactions in foreign currencies. Transactions between related parties also includes transactions with associates, pension funds, joint ventures, the Managing Board and the Supervisory Board. These transactions are conducted under commercial terms and conditions and against market prices. In accordance with IAS 24.4, intragroup transactions are not disclosed in the consolidated financial statements.

In the normal course of Rabobank's business operations, banking transactions are carried out with related parties. These involve loans, deposits and transactions in foreign currencies. These transactions are conducted under commercial terms and conditions and against market prices. The volumes of related party transactions, year-end outstanding balances and the corresponding income and expenses during the year are presented in the following table. Transactions and balances outstanding with members of the Managing Board and members of the Supervisory Board are disclosed in Section 50. Transactions with pension funds are disclosed in Section 28.

Amounts in millions of euros	*Investments in associates*		*Other related parties*	
	2020	*2019*	*2020*	*2019*
Loans				
Outstanding at beginning of year	79	19	42	44
Provided during the year	9	70	6	7
Redeemed during the year	(71)	(10)	(36)	(9)
Other	-	-	-	-
Gross loans as of December 31	**17**	**79**	**12**	**42**
Less: loan impairment allowance	-	-	-	-
Total loans as of December 31	**17**	**79**	**12**	**42**
Deposits from credit institutions and deposits from customers				
Outstanding at beginning of the year	5,910	6,062	47	38
Received during the year	256	597	72	86
Repaid during the year	(296)	(749)	(84)	(77)
Other	-	-	(1)	-
Total deposits as of December 31	**5,870**	**5,910**	**34**	**47**
Credit related contingent liabilities	261	274	-	-
Income				
Net interest income	7	8	-	-
Net fee and commission income	251	250	1	-
Trading income	-	3	-	-
Other	10	14	-	-
Total income from transactions with related parties	**268**	**275**	**1**	**-**
Expenses				
Interest expense	202	224	-	-
Net fee and commission expense	46	-	-	-
Impairments	-	-	-	-
Total expenses from transactions with related parties	**248**	**224**	**-**	**-**

49. Cost of External Independent Auditor

Expenses for services provided by Rabobank's independent auditor, PricewaterhouseCoopers Accountants N.V. ("PwC") and its member firms and/ or affiliates to Rabobank and its subsidiaries in 2020 are specified as follows:

Amounts in millions of euros	*2020*			*2019*		
	PwC Netherlands	*Other PwC network firms*	*Total*	*PwC Netherlands*	*Other PwC network firms*	*Total*
Audit services	8.8	8.5	17.3	8.6	8.3	16.9
Other audit services	1.5	0.5	2.0	1.7	0.4	2.1
Tax advisory services	-	0.3	0.3	-	0.3	0.3
Other non-audit services	-	-	-	-	-	-
Total	**10.3**	**9.3**	**19.6**	**10.3**	**9.0**	**19.3**

The audit fees listed above relate to the procedure applied to Rabobank and its consolidated group entities by PwC and other member firms in the global PwC network, including their tax services and advisory groups. These audit fees relate to the audit of the financial statements, regardless of whether the work was performed during the financial year.

Our independent auditor, PricewaterhouseCoopers Accountants N.V., has rendered, for the period to which our statutory audit relates, in addition to the audit of the statutory financial statements the following services to the company and its controlled entities:

Summary of services rendered by the independent auditor, in addition to the audit of the financial statements (Section 10, subsection 2.g of the EU Regulation 537/2015)

Other Audit Services Required by Law or Regulatory Requirements
- Statutory audits of controlled and related entities
- Audit of the regulatory returns to be submitted to European Central Bank
- Assurance engagement for the TLTRO III reporting to be submitted to De Nederlandsche Bank
- Non-audit assurance engagement cost price models for the Authority Financial Markets

Other Audit Services
- Assurance engagement on the sustainability report
- Assurance engagement on the effectiveness of internal control over financial reporting
- Agreed-upon procedures on cost allocations
- Special purpose financial statement audits of controlled and related entities
- Comfort letters issued as part of funding transactions and based on Dutch Accounting Standard 3850N

50. Remuneration of the Supervisory Board and the Managing Board

The members of the Supervisory Board and the Managing Board are listed in Section 56 of these Consolidated Financial Statements. Rabobank regards the members of the Managing Board and the Supervisory Board as key management personnel. The members of the Managing Board are among the identified staff as disclosed in Section 42. The remuneration of members of the Managing Board is set out below.

Amounts in thousands of euros	*Short-term employee benefits*		*Post-employment benefits*		*Total*
	Salary	*Other*	*Pension scheme*	*Individual pension contribution*	
Berry Marttin	884	20	28	187	1,119
Jan van Nieuwenhuizen (till September 1, 2020)	589	14	19	19	641
Kirsten Konst	800	2	28	167	997
Wiebe Draijer	980	-	28	210	1,218
Mariëlle Lichtenberg	750	7	28	155	940
Ieko Sevinga	750	-	28	155	933
Bas Brouwers	884	18	28	187	1,117
Janine Vos	650	-	28	131	809
Bart Leurs	650	-	28	131	809
Els de Groot	750	20	28	155	953
Total 2020	**7,687**	**81**	**271**	**1,497**	**9,536**
Members Managing Board	7,919	13	270	1,658	9,860
Former Members Managing Board	74	-	2	16	92
Total 2019	**7,993**	**13**	**272**	**1,674**	**9,952**

At year-end 2020, there were a total of 2,761 outstanding DRNs (liability of EUR 80 thousand) among members of the Managing Board (2019: 2,761 pieces). The pension scheme for the members of the Managing Board is classified as a collective defined contribution scheme. The maximum income on the basis of which the members of the Managing Board can build up a pension amounts to a maximum, for 2020 of one-hundred four thousand one-hundred fifteen euros. Any income exceeding this amount is not pensionable. The members of the Managing Board therefore receive an individual pension contribution. There is entitlement to a car lease arrangement. There is also a company car policy in place for all members of the Managing Board for the purpose of commuting and business travels.

Expenses related to members and former members of the Supervisory Board totalled EUR 1.2 million (2019: EUR 1.2 million). This includes VAT and payable employer's contributions. In addition to the role of Member of the Supervisory Board of Rabobank, the remuneration also depends on the roles in the various committees. The composition of these committees is detailed in the Annual Report. The remuneration structure (exclusive of VAT and other charges) is the following:

Amounts in euros	*Fee*
Member	90,000
Chairman of Audit Committee, Risk Committee, Cooperative Issues Committee, additional	20,000
Chairman of Appointments Committee together with HR Committee, additional	20,000
Vice chairman, additional	30,000
Chairman	220,000

The table below shows the remuneration (excluding VAT and other charges) for individual members of the Supervisory Board.

Amounts in thousands of euros	*Remuneration*
Leo Degle (till September 16, 2020)	63
Petri Hofsté	110
Arian Kamp	110
Jan Nooitgedagt	110
Ron Teerlink	220
Pascal Visée	90
Marjan Trompetter	140
Annet Aris	90
Mark Pensaert	66
Total 2020	**999**
Total 2019	**998**

At Rabobank, the Chairman of the Supervisory Board holds a number of roles which are related to the cooperative such as Chairman of the General Members' Council.

Amounts in millions of euros	*Managing Board*		*Supervisory Board*	
Loans, advances and guarantees	*2020*	*2019*	*2020*	*2019*
Outstanding on 1 January	4.9	5.3	1.8	2.2
Provided during the year	-	0.7	-	-
Redeemed during the year	(0.3)	(1.1)	(0.1)	(0.3)
Reduction on account of leaving office	-	-	-	-
Increase on account of taking office	-	-	-	-
Outstanding on 31 December	**4.6**	**4.9**	**1.7**	**1.8**

The loans, advances and guarantees of the members of the Managing Board in office and the average interest rates were as follows:

Amounts in millions of euros	*Outstanding loans*	*Average interest rate (in %)*
On December 31, 2020		
Bas Brouwers	0.7	1.5
Kirsten Konst	0.1	5.0
Bart Leurs	0.8	2.2
Mariëlle Lichtenberg	1.0	3.5
Janine Vos	0.9	2.3

Amounts in millions of euros	*Outstanding loans*	*Average interest rate (in %)*
On December 31, 2019		
Bas Brouwers	0.7	1.5
Kirsten Konst	0.2	5.0
Bart Leurs	0.8	2.2
Mariëlle Lichtenberg	1.2	3.6
Berry Marttin	0.0	5.8
Jan van Nieuwenhuizen	1.2	1.9
Janine Vos	0.9	2.3

The loans, advances and guarantees of the members of the Supervisory Board in office and the average interest rates were as follows:

Amounts in millions of euros	*Outstanding loans*	*Average interest rate (in %)*
On December 31, 2020		
Arian Kamp	1.1	1.4
Marjan Trompetter	0.6	2.5

Amounts in millions of euros	*Outstanding loans*	*Average interest rate (in %)*
On December 31, 2019		
Annet Aris	-	n/a
Arian Kamp	1.2	1.6
Marjan Trompetter	0.6	2.5

At year-end 2020, the members of the Supervisory Board not listed in the table had not received any loans, advances or guarantees. These transactions with members of the Managing Board and Supervisory Board were completed in person on the basis of employee terms and conditions and/or market rates for the Supervisory Board. The rates depend in part on the currency, on the agreed fixed-interest period and on the time at which the transaction was completed or on the time at which a new fixed-interest term becomes effective.

Some members of the Managing Board have invested in Rabobank Certificates in person.

Managing Board	*Number of Rabobank Certificates*
On December 31, 2020	
Kirsten Konst	840
Mariëlle Lichtenberg	1,018
Berry Marttin	10,084

51. Main Subsidiaries

On December 31, 2020, Rabobank comprises Coöperatieve Rabobank U.A. and its consolidated subsidiaries in the Netherlands and abroad.

On December 31, 2020	*Share*	*Voting rights*
Main subsidiaries		
The Netherlands		
DLL International B.V.	100%	100%
BPD Europe B.V.	100%	100%
Obvion N.V.	100%	100%
North America		
Utrecht America Holdings Inc.	100%	100%
Australia and New Zealand		
Rabobank Australia Limited	100%	100%
Rabobank New Zealand Limited	100%	100%

All subsidiaries listed in the table have been consolidated. In 2020, several subsidiaries experienced restrictions from regulators in the payment of dividends and own funds due to COVID-19. The possiblity for subsidiaries to pay dividend to Rabobank depends on various factors, including local regulatory requirements, statutory reserves and financial performance.

Several structured entities in W&R segment are not consolidated, even if Rabobank retains more than half of the voting rights. These structured entities are not consolidated because the relevant activities and the variable returns are determined by a third party to the contract.

Rabobank controls several entities in the "Leasing" segment as part of its vendor leasing operations, even though it retains less than half of the voting rights. This is because control is not determined based on voting rights, but rather on management participation.

52. Transfer of Financial Assets and Financial Assets Provided as Collateral

52.1 Reverse Repurchase Transactions and Securities Borrowing Agreements

Reverse repurchase transactions and securities borrowing agreements concluded by Rabobank are included under "Loans and Advances to Credit Institutions" or "Loans and Advances to Customers" and amount to:

Amounts in millions of euros	*2020*	*2019*
Loans and advances to credit institutions	15,803	22,703
Loans and advances to customers	17,265	13,462
Total reverse repurchase transactions and securities borrowing agreements	**33,068**	**36,165**

In accordance with the terms of the reverse repurchase transactions and securities borrowing agreements, Rabobank receives collateral under conditions that enable it to re-pledge or resell the collateral to third parties. On December 31, 2020, the total fair value of the securities received under the terms of the agreements was EUR 34,387 million (2019: EUR 36,956 million). In accordance with the agreement terms, a portion of the securities was re-pledged or sold as collateral. These transactions were effected subject to the normal conditions for standard reverse repurchase transactions and securities borrowing agreements. The securities have not been recognized in the statement of financial position because almost all the associated risks and benefits accrue to the counterparty. A receivable has been recognized at a value equivalent to the amount paid as collateral.

52.2 Repurchase Transactions and Securities Lending Agreements

Repurchase transactions and securities lending agreements concluded by Rabobank are included under "Deposits from Credit Institutions" and "Deposits from Customers". They amount to:

Amounts in millions of euros	*2020*	*2019*
Deposits from credit institutions	439	1,522
Deposits from customers	550	32
Total repurchase and securities lending	**989**	**1,554**

Rabobank provided interest-bearing securities with a carrying amount (equal to fair value) per 31 December 2020 of EUR 1,125 million (2019: EUR 1,525 million) as collateral for repurchase agreements. The counterparty retains the right to sell or re-pledge the securities. Rabobank performed these transactions subject to the normal conditions for standard repurchase transactions and securities lending agreements. The bank may provide or receive securities or cash as collateral if the value of the securities changes. The securities have not been de-recognized because almost all the associated risks and benefits accrue to Rabobank, including credit and market risks. A liability is recognized at a value equivalent to the amount received as collateral.

52.3 Securitizations

As part of the financing activities and liquidity management of Rabobank, and in order to reduce credit risk, cash flows from certain financial assets are transferred to third parties (true sale transactions). Most of the financial assets subject to these transactions have been mortgages and other loan portfolios that have been transferred to a special purpose vehicle that has subsequently been consolidated. After securitization, the assets continue to be recognised in the statement of financial position of Rabobank, mainly under "Loans and Advances to Customers". The securitized assets have been measured in accordance with the accounting policies referred to in Section 2.15.

The carrying amount of the transferred financial assets related to own-asset securitization is EUR 81,004 million (2019: EUR 82,053 million) with the corresponding liability amounting to EUR 79,118 million (2019: EUR 80,121 million). Approximately 73% (2019: 72%) of the transferred assets have been securitized internally for liquidity purposes. The carrying amount of the assets where Rabobank acts as a sponsor (Nieuw-Amsterdam) is EUR 1,941 million (2019: EUR 3,398 million) with the corresponding liability amounting to EUR 1,941 million (2019: EUR 3,398 million). Rabobank retains 5% to 6% of the outstanding commercial paper issued by Nieuw Amsterdam for regulatory purposes.

52.4 Carrying Amount of Financial Assets Pledged as Collateral for (Contingent) Liabilities

The assets referred to below have been pledged as collateral for (contingent) liabilities (with exception of repo transactions, securities lending and own-asset securitizations) with the objective of providing security for the counterparty. If Rabobank would enter into default the counterparties may use the security to settle the debt.

Amounts in millions of euros	*2020*	*2019*
Cash and cash equivalents	85	28
Loans and advances to credit institutions	2,174	2,155
Loans and advances to customers	28,503	26,117
Financial assets held for trading	692	77
Financial assets at fair value through other comprehensive income	2,983	3,083
Total assets pledged as collateral	**34,437**	**31,460**

53. Structured Entities

53.1 Consolidated Structured Entities

A structured entity is an entity that is structured so that voting rights or comparable rights do not constitute the dominant factor in determining who exercises control over the entity. Rabobank uses structured entities in order to securitize mortgages and other loan portfolios as part of its financing activities, liquidity management and in order to reduce credit risk. The loans are actually transferred to the structured entities. Own-asset securitization is handled by Obvion and DLL. In addition to providing cash facilities, Rabobank also acts as a swap counterparty for all own-asset securitizations.

Rabobank acts as a sponsor in Nieuw Amsterdam Receivables Corporation. Nieuw Amsterdam issues ABCP in various currencies and provides Rabobank customers access to liquidity through the commercial paper market. Rabobank provides advice and manages the program, markets ABCP, provides cash facilities and credit risk enhancements and other facilities for the underlying transactions and as well as for the program itself.

Rabobank consolidates the own-asset securitisation vehicles and Nieuw Amsterdam because it is exposed to or entitled to fluctuating income in respect of its involvement in these entities. In addition, Rabobank also has the option to influence the amount of the investor's income by virtue of having control over the entities.

53.2 Non-Consolidated Structured Entities

Non-consolidated structured entities refer to all structured entities over which Rabobank has no control. These interests are comprised mainly of debt securities in securitization vehicles, including RMBS, ABS and CDO and private equity interests. The amount of these debt securities is almost always limited when compared to the vehicle's total assets. Rabobank usually refinances these securitization vehicles by issued debt securities or credit facilities.

The following table lists the nature and risks of Rabobank's interests in non-consolidated structured entities. The size of non-consolidated structured entities generally reflects the carrying amount of the assets and the contingent liabilities. The maximum exposure equals the carrying amount disclosed in the table below.

Amounts in millions of euros	*On December 31, 2020*			*On December 31, 2019*		
Assets recognized by Rabobank	*Securitisations*	*Other*	*Total*	*Securitisations*	*Other*	*Total*
Financial assets held for trading	7	28	35	-	48	48
Financial assets designated at fair value	-	-	-	-	-	-
Financial assets mandatorily at fair value	35	439	474	41	337	378
Derivatives	57	-	57	105	-	105
Loans and advances to customers	649	-	649	683	-	683
Financial assets at fair value through other comprehensive income	4	-	4	5	-	5
Investments in associates	85	187	272	74	226	300
Total financial assets recognized by Rabobank	**837**	**654**	**1,491**	**908**	**611**	**1,519**
Liabilities recognized by Rabobank						
Derivatives	5	-	5	(4)	-	(4)
Deposits from customers	221	-	221	233	-	233
Total liabilities recognized by Rabobank	**226**	**-**	**226**	**229**	**-**	**229**

Income from sponsored, non-consolidated structured entities in which Rabobank holds no interest is nil (2019: nil).

54. Events after the Reporting Period

There were no subsequent events.

55. Management Report on Internal Control over Financial Reporting

The Managing Board of Rabobank is responsible for establishing and maintaining adequate internal control over financial reporting. Management is also responsible for the preparation and fair presentation of the Consolidated Financial Statements.

At the end of the period covered by this Annual Report, Rabobank's' management carried out an evaluation, under the supervision and with the participation of its Chief Executive Officer (CEO) and Chief Financial Officer (CFO), of the effectiveness of the design and operation of it's internal control over financial reporting. Rabobank's internal control over financial reporting is a process designed, when working effective, to provide reasonable assurance regarding the reliability of financial reporting for the preparation of its financial statements for external purposes in accordance with generally accepted accounting principles.

All internal control systems, no matter how well designed, have inherent limitations. Due to the inherent limitations, internal control over financial reporting may not prevent or detect misstatements. At the same time, future projections on the basis of any evaluation of the effectiveness of internal control are subject to the risk that the control measures may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management has assessed the effectiveness of Rabobank's internal control over financial reporting as of December 31, 2020 in accordance with the criteria set out in 2013 by the Committee of Sponsoring Organisations of the Treadway Commission (COSO), as defined in Internal Control - Integrated Framework.

Based on that assessment, the Managing Board of Rabobank concluded that, it maintained in all material aspects, effective internal control over financial reporting as of 31 December, 2020, in accordance with criteria established in the Internal Control – Integrated Framework issued in 2013 by the Committee of Sponsoring Organisations of the Treadway Commission (COSO).

PricewaterhouseCoopers Accountants N.V., which has audited the consolidated financial statements of Rabobank for the financial year ended December 31, 2020, also examined management's assessment of the effectiveness of the internal control over financial reporting in Rabobank . The assurance report of PricewaterhouseCoopers Accountants N.V. is included on page 249.

Wiebe Draijer and Bas Brouwers

Utrecht, March 4, 2021

The above statement on internal controls should not be construed as a statement in response to the requirements of section 404 of the US Sarbanes-Oxley Act.

56. Authorization of the Financial Statements

The financial statements were signed by the Supervisory Board and Managing Board on March 4, 2021. The financial statements will be presented for adoption to the General Meeting, to be held on April 16, 2021. With regard to the adoption of the financial statements of Rabobank, the Articles of Association state: "The resolution to adopt the financial statements will be passed by an absolute majority of the votes validly cast by the General Members' Council".

Managing Board
Wiebe Draijer, *Chairman*
Bas Brouwers, *CFO*
Els de Groot, *CRO*
Kirsten Konst, *Member*
Bart Leurs, *Member*
Mariëlle Lichtenberg, *Member*
Berry Marttin, *Member*
Ieko Sevinga, *Member*
Janine Vos, *Member*

Supervisory Board
Ron Teerlink, *Chairman*
Marjan Trompetter, *Vice Chairman*
Arian Kamp
Jan Nooitgedagt
Petri Hofsté
Pascal Visée
Annet Aris
Mark Pensaert

Company Financial Statements

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Statement of Financial Position (Before Profit Appropriation)

Statement of Financial Position (Before Profit Apprpriation)					
Amounts in millions of euros	*Note*	*December 31, 2020*		*December 31, 2019*	
Assets					
Cash and balances at central banks	1		107,914		62,908
Short-term government papers	2		576		792
Professional securities transactions		15,203		22,074	
Other loans and advances to credit institutions		13,404		15,679	
Loans and advances to credit institutions	3		28,607		37,753
Public sector lending		1,728		1,728	
Private sector lending		382,752		383,336	
Professional securities transactions		17,520		13,756	
Loans and advances to customers	4		402,000		398,820
Interest-bearing securities	5		64,242		62,653
Shares	6		221		83
Interests in group companies	7		13,986		14,077
Other equity investments	8		1,511		1,632
Goodwill and other intangible assets	9		389		417
Tangible fixed assets	10		1,424		1,720
Other assets	11		5,700		4,505
Derivatives	12		32,565		26,993
Prepayments and accrued income			655		914
Total assets			**659,790**		**613,267**
Liabilities					
Professional securities transactions		431		1,502	
Other liabilities to credit institutions		61,328		24,356	
Due to credit institutions	14		61,759		25,858
Savings		153,939		148,851	
Professional securities transactions		150		32	
Other due to customers		202,799		184,393	
Due to customers	15		356,888		333,276
Debt securities in issue	16		95,971		110,848
Other liabilities	17		61,001		59,554
Derivatives	12		28,313		24,322
Accruals and deferred income			1,486		1,919
Provisions	18		730		843
Subordinated liabilities	19		13,486		15,777
			619,634		**572,397**
Rabobank Certificates		7,822		7,449	
Capital Securities		4,482		5,264	
Revaluation reserves		376		359	
Legal reserves		(666)		(106)	
Other reserves		27,087		25,746	
Profit for the year		1,055		2,158	
Equity	**20**		**40,156**		**40,870**
Total equity and liabilities			**659,790**		**613,267**
Contingent liabilities	28		68,186		67,437

Statement of Income

Statement of Income

		For the year ended 31 December	
Amounts in millions of euros	*Note*	*2020*	*2019*
Interest income	21	12,124	13,811
Interest expense	21	6,467	8,215
Net interest income	**21**	**5,657**	**5,596**
Fee and commission income	22	1,917	1,930
Fee and commission expense	22	285	285
Net fee and commission income	**22**	**1,632**	**1,645**
Income from equity interests	23	961	890
Gains/ (losses) from trading portfolio with external parties		(354)	(23)
Gains/ (losses) from trading portfolio with group companies		(162)	587
Gains/ (losses) from investment portfolio		244	97
Net income from financial transactions		**(272)**	**661**
Other results		62	165
Income		**8,040**	**8,957**
Staff costs	24	3,508	3,682
Other administrative expenses		1,184	1,166
Depreciation		329	350
Operating expenses		**5,021**	**5,198**
Impairment on investments in associates		213	300
Impairment charges on financial assets		1,182	346
Regulatory levies	25	489	429
Operating profit before taxation		**1,135**	**2,684**
Income tax	26	80	526
Net profit		**1,055**	**2,158**

Notes to the Company Financial Statements

1. Basis of Preparation

The company financial statements of Coöperatieve Rabobank U.A., a credit institution as referred to in Section 1:1 of the Financial Supervision Act, have been prepared in accordance with accounting policies generally accepted in the Netherlands and comply with the financial reporting requirements included in Part 9 of Book 2 of the Dutch Civil Code. In accordance with subsection 8 of section 362 of Book 2 of the Dutch Civil Code, the accounting policies in the company financial statements are the same as those used in preparing the consolidated financial statements of Rabobank, reference is made to Section 2 "Accounting Policies of the Consolidated Financial Statements", with one exception regarding the measurement of interests in group companies as these are measured at net asset value. The hedge accounting entries of the consolidated financial statements have also been applied in the company financial statements by using combination 3 (Option 3 RJ).

The Coöperatieve Rabobank U.A. and the legal entities and companies that form part of the group, is an international financial services provider operating on the basis of cooperative principles. Rabobank has its registered office in Amsterdam and is registered under Chamber of commerce number 30046259.

2. Risk Exposure on Financial Instruments

Rabobank manages risks at various levels within the organization. At the highest level, the Managing Board (under the supervision of the Supervisory Board) determines the risk strategy it will pursue, the risk appetite, the policy framework as well as the limits. The Supervisory Board regularly assesses the risks attached to the activities and portfolio of Rabobank. The Chief Risk Officer, as a Member of the Managing Board, is responsible for the risk management policy within Rabobank.

Rabobank considers risks at company level the same as risks at consolidated level. We therefore refer to Section 4 "Risk Exposure on Financial Instruments" of the Consolidated Financial Statements. Additional remarks on solvency on solo level are presented below.

Solvency

Coöperatieve Rabobank U.A. (solo) must comply with a number of minimum solvency positions as stipulated under law. The solvency position is determined on the basis of ratios. These ratios compare the qualifying capital (total capital ratio), the tier 1 capital (tier 1 ratio) and the core capital (common equity tier 1 ratio) with the total of the risk-adjusted assets. The minimum percentages are determined on the basis of CRD IV/CRR and reflect the application of article 104a of the CRR2 to partly fulfil the pillar 2 requirement with additional tier 1 and tier 2 requirements.

Minimum Capital Buffer

	CET 1	*AT 1*	*Tier 1*	*Tier 2*	*Total capital/own funds*
Pillar 1 requirement	4.5%	1.50%	6.0%	2.0%	8.0%
Pillar 2 requirement	0.98%	0.33%	1.31%	0.44%	1.75%
Capital conservation buffer	2.5%	-	2.5%	-	2.5%
Countercyclical buffer	0.01%	-	0.01%	-	0.01%
Total required	**8.00%**	**1.83%**	**9.83%**	**2.44%**	**12.26%**

The CET1-ratio of Coöperatieve Rabobank U.A. (solo) is 16.0% (2019: 16.8%).

Legal and Arbitration Proceedings

Rabobank considers risks regarding legal and arbitration proceedings the same at company level as at consolidated level. For a description of these proceedings, see Section 4.10 "Legal and Arbitration Proceedings" in the Consolidated Financial Statements. For legal and arbitration proceedings related to Coöperatieve Rabobank U.A. the following amounts apply.

Amounts in millions of euros	*2020*	*2019*
Legal provisions	73	183
Contingent liabilities	11	59

Notes to the Statement of Financial Position

1. Cash and Balances at Central Banks

This item consists of legal tender, of balances available on demand with foreign central banks in countries in which Rabobank operates, as well as of a balance with De Nederlandsche Bank (the Dutch Central Bank) as required under its minimum reserve policy.

2. Short-term Government Papers

This item relates to government securities with an original term to maturity of up to two years which the central bank in the country of origin will redeem at a discount or accept as collateral. The cost and market value of short-term government papers are virtually the same.

Amounts in millions of euros	*2020*	*2019*
Recognized in the trading portfolio	25	157
Recognized in the investment portfolio	551	635
Total short-term government papers	**576**	**792**

3. Loans and Advances to Credit Institutions

This item represents loans and advances to other credit institutions, other than in the form of interest-bearing securities.

Amounts in millions of euros	*2020*	*2019*
Loans and advances to other credit institutions	20,166	27,806
Loans and advances to group companies	8,441	9,947
Total loans and advances to credit institutions	**28,607**	**37,753**
Of which subordinated	-	-
The terms of loans and advances to credit institutions can be broken down as follows:		
On demand	11,340	18,694
≤ 3 months	8,157	8,633
> 3 months ≤ 1 year	4,019	3,183
> 1 year ≤ 5 years	2,282	5,137
> 5 years	611	191
No maturity	2,198	1,915
Total loans and advances to credit institutions	**28,607**	**37,753**

The fair value of accepted collateral in the form of securities is EUR 15,965 million (2019: EUR 22,640 million).

4. Loans and Advances to Customers

This item consists of loans and advances arising in the course of business operations, other than receivables from credit institutions and interest-bearing securities.

Amounts in millions of euros	*2020*	*2019*
Breakdown of loans and advances to customers:		
Public sector lending	1,728	1,728
Private sector lending	382,752	383,336
Professional securities transactions	17,520	13,756
Total loans and advances to customers	**402,000**	**398,820**
Totals include:		
Of which to group companies	74,165	71,591
Of which mortgages	157,273	157,021
Loans recognised in the trading portfolio	548	106
Loans recognised in the investment portfolio	178	206
Loans recognised in the investment portfolio at fair value through profit or loss	1,164	1,088
Loans at amortised cost	400,110	397,420
Total loans and advances to customers	**402,000**	**398,820**
The terms of loans and advances can be broken down as follows:		
On demand	50,244	49,824
≤ 3 months	18,133	16,992
> 3 months ≤ 1 year	28,566	28,914
> 1 year ≤ 5 years	83,845	87,977
> 5 years	210,975	207,370
No maturity	8,347	6,343
Loans at amortised cost	**400,110**	**397,420**
Loans (excluding government loans and reverse repos) can be classified as follows by their concentration in specific business sectors:		
Food & agri	18%	18%
Trade, industry and services	28%	29%
Private individuals	54%	53%
Total	**100%**	**100%**

The fair value of accepted collateral in the form of securities is EUR 18,097 million (2019: EUR 14,133 million).

5. Interest-Bearing Securities

This item represents interest-bearing securities other than short-term government papers.

Amounts in millions of euros	*2020*	*2019*
Interest-bearing securities of:		
Public authorities	8,087	7,877
Other issuers	56,155	54,776
Total interest-bearing securities	**64,242**	**62,653**
Breakdown of interest-bearing securities:		
Trading portfolio	1,818	1,735
Investment portfolio	62,381	60,881
Investment portfolio at fair value through profit or loss	43	37
	64,242	**62,653**
The portfolio also includes:		
Securities issued by group companies	50,671	50,803
Listed portion of the portfolio	13,306	11,386
Non-listed securities and securities issued by group companies	50,936	51,267
Total interest-bearing securities	**64,242**	**62,653**

6. Shares

This item consists of shares and other non-interest-bearing securities, including temporary other investments.

Amounts in millions of euros	*2020*	*2019*
This breaks down as follows:		
Investment portfolio	61	72
Investment portfolio at fair value through profit or loss	8	-
Trading portfolio	152	11
Total	**221**	**83**
Listed portion of the portfolio	143	11
Non-listed portion of the portfolio	78	72
Total	**221**	**83**

7. Interests in Group Companies

This item includes the interests held directly in group companies.

Amounts in millions of euros	*2020*	*2019*
Equity investments in:		
Credit institutions	3,776	3,853
Other entities	10,210	10,224
Total	**13,986**	**14,077**
Changes in equity investments:		
Carrying amount on January 1	14,077	13,555
Additions, capital contributions during the financial year	291	56
Sales, disposals and liquidations during the financial year	(16)	(3)
Profit	783	764
Dividend/capital reimbursements	(331)	(361)
Revaluation	(808)	119
Other	(10)	(53)
Carrying amount on December 31	**13,986**	**14,077**

8. Other Equity Investments

This item includes participating interests in associates, particularly in Achmea B.V.

Amounts in millions of euros	*2020*	*2019*
Equity investments in:		
Credit institutions	-	-
Other entities	1,511	1,632
Total other equity investments	**1,511**	**1,632**
Changes in equity investments:		
Carrying amount on January 1	1,632	1,722
Acquisitions during the financial year	4	29
Disposals during the financial year	-	-
Profit/ (loss)	170	123
Revaluation	(37)	94
Impairment	(213)	(300)
Dividend	(45)	(36)
Carrying amount on December 31	**1,511**	**1,632**

9. Intangible Assets

The intangible assets mainly consist of software.

Amounts in millions of euros	*2020*	*2019*
Carrying amount on January 1	417	419
Acquisitions during the financial year (to group companies)	1	77
Acquisitions during the financial year	110	150
Disposals during the financial year (to group companies)	-	(69)
Disposals during the financial year	(19)	(17)
Depreciation	(109)	(117)
Impairment losses	(10)	(25)
Exchange differences and other	(1)	(1)
Carrying amount on December 31	**389**	**417**
Accumulated depreciation and impairment losses	1,125	1,067

10. Tangible Fixed Assets

Amounts in millions of euros	*2020*	*2019*
Land and buildings in own use	898	1,153
Equipment	212	218
Right-of-use assets	314	349
Total tangible fixed assets	**1,424**	**1,720**

Amounts in millions of euros	*Land and buildings in own use*	*Equipment*
Carrying amount on January 1, 2020	1,153	218
Acquisitions during the financial year	32	38
Disposals during the financial year	(2)	(14)
Depreciation	(82)	(67)
Impairment losses	(122)	-
Transfers to other assets	(31)	-
Exchange differences and other	(50)	37
Carrying amount on December 31, 2020	**898**	**212**
Accumulated depreciation and impairment losses	1,318	559
Amounts in millions of euros		
Carrying amount on January 1, 2019	1,212	239
Acquisitions during the financial year	33	56
Disposals during the financial year	(2)	(13)
Depreciation	(92)	(70)
Impairment losses	(10)	-
Reversal impairment losses	32	-
Exchange differences and other	(20)	6
Carrying amount on December 31, 2019	**1,153**	**218**
Accumulated depreciation and impairment losses	1,182	569

11. Other Assets

This item relates to current and deferred tax assets and assets that cannot be classified under any other heading.

Amounts in millions of euros	*2020*	*2019*
This item can be broken down as follows:		
Current tax assets	161	349
Deferred tax assets	279	383
Employee benefits	3	4
Commodities and warehouse receipts	2,590	1,189
Other	2,667	2,580
Total other assets	**5,700**	**4,505**

Fiscal Unity for Corporate Tax Purposes

For corporate tax purposes Rabobank forms a fiscal unity with a number of domestic subsidiaries. Under this fiscal unity, each participating legal entity is jointly and severally liable for the fiscal unity's corporate tax liabilities.

12. Derivatives

Amounts in millions of euros	2020	2019
Assets		
This item can be broken down as follows:		
Derivative contracts with third parties	31,531	23,462
Derivative contracts with group companies	1,034	3,531
Total derivatives	**32,565**	**26,993**
Liabilities		
This item can be broken down as follows:		
Derivative contracts with third parties	28,180	23,951
Derivative contracts with group companies	133	371
Total derivatives	**28,313**	**24,322**

The table below shows the notional amounts and the positive and negative fair values of Rabobank's derivative contracts with third parties.

Amounts in millions of euros	*Notional amounts*	*Fair values*	
Balance on December 31, 2020		*Assets*	*Liabilities*
Derivatives held for trading			
Interest rate contracts	**4,190,020**	**20,653**	**15,798**
OTC	4,063,168	20,653	15,798
Listed	126,852	-	-
Currency contracts	**398,964**	**6,738**	**7,882**
OTC	398,964	6,738	7,882
Listed	-	-	-
Credit derivatives	1,111	120	10
Other contracts	**9,574**	**257**	**321**
OTC	9,574	257	321
Listed	-	-	-
Derivatives designated as hedging instrument			
Derivatives designated as hedging instrument in fair value hedges	**121,906**	**3,753**	**4,137**
Interest rate contracts	112,320	1,893	3,629
Currency contracts	9,586	1,860	508
Derivatives designated as hedging instrument in cash flow hedges	**175**	**10**	**32**
Currency contracts	175	10	32
Total derivative contracts with third parties	**4,721,750**	**31,531**	**28,180**

Amounts in millions of euros	*Notional amounts*	*Fair values*	
Balance on December 31, 2019		*Assets*	*Liabilities*
Derivatives held for trading			
Interest rate contracts	**3,472,469**	**16,360**	**14,334**
OTC	3,042,781	16,360	14,334
Listed	429,688	-	-
Currency contracts	**417,244**	**3,190**	**4,903**
OTC	417,244	3,190	4,903
Listed	-	-	-
Credit derivatives	880	4	5
Other contracts	**7,853**	**162**	**173**
OTC	7,853	162	173
Listed	-	-	-
Derivatives designated as hedging instrument			
Derivatives designated as hedging instrument in fair value hedges	**96,855**	**3,723**	**4,517**
Interest rate contracts	86,002	1,655	4,194
Currency contracts	10,853	2,068	323
Derivatives designated as hedging instrument in cash flow hedges	**187**	**23**	**19**
Currency contracts	187	23	19
Total derivative contracts with third parties	**3,995,488**	**23,462**	**23,951**

13. Trading and Investment Portfolios

Breakdown of Trading and Investment Portfolios

Amounts in millions of euros	*2020*	*2019*
Trading portfolio		
Short-term government papers	25	157
Loans and advances to customers	548	106
Interest-bearing securities	1,818	1,735
Shares	152	11
Total trading portfolio	**2,543**	**2,009**
Investment portfolio		
Short-term government papers	551	635
Interest-bearing securities	62,381	60,881
Shares	61	72
Loans and advances to customers	178	206
Total investment portfolio	**63,171**	**61,794**
Included in the investment portfolios of group companies	50,661	50,773
Changes in the investment portfolio		
Balance on January 1	61,794	65,310
Foreign exchange differences	(267)	48
Acquisitions during the financial year	9,407	2,626
Disposals during the financial year	(7,764)	(5,427)
Fair value changes	187	(241)
Other	(186)	(522)
Balance on December 31	**63,171**	**61,794**
The terms of the investment portfolio can be broken down as follows:		
On demand	73	187
≤ 3 months	351	501
> 3 months ≤ 1 year	911	1,449
> 1 year ≤ 5 years	3,761	7,188
> 5 years	58,015	52,397
No maturity	60	72
Total investment portfolio	**63,171**	**61,794**
Investment portfolio at fair value through profit or loss		
Interest-bearing securities	43	37
Shares	8	-
Loans and advances to customers	1,164	1,088
Total investment portfolio at fair value through profit or loss	**1,215**	**1,125**

14. Due to Credit Institutions

This item represents amounts owed to credit institutions, other than debt securities and subordinated debt, of which:

Amounts in millions of euros	*2020*	*2019*
Due to credit institutions	17,880	17,836
Due to group companies	3,713	3,999
Monetary instruments of central banks	40,118	4,000
Due to other equity investments	48	23
Total due to credit institutions	**61,759**	**25,858**
On demand	4,350	7,430
≤ 3 months	878	1,643
> 3 months ≤ 1 year	3,715	2,767
> 1 year ≤ 5 years	42,006	5,628
> 5 years	853	405
No maturity	9,957	7,985
Total due to credit institutions	**61,759**	**25,858**

15. Due to Customers

This item consists of amounts due to customers other than debt securities. Due to customers also includes the investments of central banks amounting to EUR 12 billion (2019: EUR 13 billion).

Amounts in millions of euros	*2020*	*2019*
Due to other customers	338,995	317,244
Due to group companies	12,082	10,047
Due to other equity investments	5,811	5,985
Total due to customers	**356,888**	**333,276**

Due to other customers comprises all deposits and savings accounts of natural persons, non-profit making associations and foundations, as well as non-transferable savings bonds.

Amounts in millions of euros	*2020*	*2019*
On demand	311,939	283,628
≤ 3 months	8,411	13,386
> 3 months ≤ 1 year	7,323	5,091
> 1 year ≤ 5 years	6,622	7,993
> 5 years	21,830	21,858
No maturity	763	1,320
Total due to customers	**356,888**	**333,276**

16. Debt Securities in Issue

This item relates to non-subordinated bonds and other interest-bearing securities, such as certificates of deposit.

Amounts in millions of euros	*2020*	*2019*
Tradeable debt securities	67,638	80,275
Other debt securities	28,333	30,573
Total debt securities in issue	**95,971**	**110,848**
On demand	7,078	8,596
≤ 3 months	8,220	9,550
> 3 months ≤ 1 year	19,435	22,685
> 1 year ≤ 5 years	29,740	39,529
> 5 years	31,498	30,488
Total debt securities in issue	**95,971**	**110,848**

17. Other Liabilities

This item includes liabilities that cannot be classified under any other heading, such as liabilities associated with securitized receivables, current taxes, short positions on securities, liabilities for staff costs, and creditors. At year-end 2020, approximately EUR 57 billion in Rabobank mortgages were securitized.

Amounts in millions of euros	*2020*	*2019*
This item can be broken down as follows:		
Liabilities associated with securitised receivables	57,326	56,653
Current tax liabilities	20	153
Other liabilities	3,655	2,748
Total other liabilities	**61,001**	**59,554**

18. Provisions

Amounts in millions of euros	*2020*	*2019*
Provision for pension plans and other post-retirement provisions	175	186
Provision for deferred tax liabilities	24	2
Impairment allowances on loan commitments and financial guarantees	138	142
Other provisions	393	513
Total provisions	**730**	**843**

Provision for Employee Benefits

The provision for employee benefits consists of a provision for pension plans of EUR 96 million (2019: EUR 90 million) and of other post-retirement provisions of EUR 79 million (2019: EUR 96 million).

Other Provisions

Amounts in millions of euros	*Restructuring provision*	*Provision for legal issues*	*Other*	*Total*
Opening balance on January 1, 2020	261	183	69	513
Additions	90	48	75	213
Withdrawals	(44)	(89)	(83)	(216)
Releases	(29)	(69)	(19)	(117)
Closing balance on December 31, 2020	**278**	**73**	**42**	**393**
Opening balance on January 1, 2019	298	408	109	815
Additions	120	67	83	270
Withdrawals	(128)	(218)	(108)	(454)
Releases	(29)	(74)	(15)	(118)
Closing balance on December 31, 2019	**261**	**183**	**69**	**513**

19. Subordinated Liabilities

This represents the loans relating to the issue of subordinated loans.

Amounts in millions of euros	*2020*	*2019*
Subordinated loans	13,486	15,777
Balance on 31 December	**13,486**	**15,777**

In the following table details of the issues of subordinated liabilities are shown:

Subordinated Liabilities

Notional

(Amounts in millions)	*Currency*	*Coupon*	*Year of issuance*	*Year of maturity*
500	USD	4.00%	2017	2029, early repayment date 2024
1,500	USD	3.75%	2016	2026
1,500	USD	4.375%	2015	2025
1,250	USD	5.25%	2015	2045
1,000	GBP	4.625%	2014	2029
2,000	EUR	2.50%	2014	2026, early repayment date in 2021
50,800	JPY	1.429%	2014	2024
1,000	EUR	3.875%	2013	2023
1,750	USD	4.625%	2013	2023
1,250	USD	5.75%	2013	2043
1,000	EUR	4.125%	2012	2022
500	GBP	5.25%	2012	2027
1,500	USD	3.95%	2012	2022
10	EUR	4.21%	2005	2025
10	EUR	5.32%	2004	2024

20. Equity

Amounts in millions of euros	*2020*	*2019*
This item can be broken down as follows:		
Rabobank Certificates	7,822	7,449
Capital Securities	4,482	5,264
Revaluation reserves	376	359
Legal reserves	(666)	(106)
Other reserves	27,087	25,746
Profit for the year	1,055	2,158
Total equity	**40,156**	**40,870**

Rabobank Certificates
Rabobank Certificates represent participation rights issued by Rabobank via the foundation Stichting Administratie Kantoor Rabobank Certificaten and belong to the Common Equity Tier 1 capital of Rabobank. The Rabobank Certificates are listed on Euronext Amsterdam.

The total number of certificates is 313,005,461 with a nominal value of EUR 25 each. The actual payment policy of Rabobank pursuant to the Participation Rules in respect of the participation issued by Rabobank (and via AK Foundation in respect of the Rabobank Certificates) can be found on the Rabobank website.

In March 2020, the European Central Bank (ECB) issued a recommendation to banks not to pay dividends until at least October 1, 2020. The ECB updated this recommendation on July 27, 2020 and extended this period to January 1, 2021. Based on this recommendation the Managing Board of Rabobank decided not to pay a cash distribution in 2020. Instead of a cash distribution, the Managing Board decided to make an exceptional distribution of the approximate equivalent of EUR 1.625 per Rabobank Certificate, in the form of Rabobank Certificates. The distribution ratio for the exceptional distribution was one new Rabobank Certificate for every 19.81 Rabobank Certificates a holder held. The distribution ratio was based on the volume-weighted average prices of all traded Rabobank Certificates at Euronext Amsterdam on the 1st, 2nd, and 3rd of December 2020 (VWAP), of EUR 33.81. The VWAP has been reduced by EUR 1.625, resulting in a reference price of EUR 32.18. Subsequently dividing the reference price by EUR 1.625 resulted in the distribution ratio of 19.81. If the number of new Rabobank Certificates to be distributed to a holder did not correspond to a whole number of Rabobank Certificates, the fractions were settled in cash. On 8 December 2020 15,044,096 new Rabobank Certificates were issued. The total nominal amount of outstanding Rabobank Certificates increased to EUR 7,825,136,525. Delivery of the new Rabobank Certificates and cash fractions (if applicable) to holders took place as of 9 December 2020.

On December 15, 2020 the European Central Bank (ECB) issued a recommendation to banks to refrain from or limit dividends until at least September 30, 2021. Rabobank adheres to the recommendation and announced on February 11, 2021 its intention to make a quarterly distribution of EUR 0.13674 per Rabobank Certificate on March 29, June 29 and September 29, 2021 respectively. Rabobank has the intention to revert to its payment policy in case the ECB withdraws any recommended limitations on dividend distribution. At that time Rabobank will - at its full discretion – decide on any future distributions thereby considering whether it is prudent to make a distribution, and if so, the level of such distribution.

The cash distribution paid per certificate in 2019 was EUR 1.625. The amounts listed in the table below are based on the nominal value of EUR 25 per Rabobank Certificate. Cash flows arising from changes during the year in the Rabobank Certificates are included in the consolidated statement of cash flows.

Rabobank Certificates

Amounts in millions of euros	*2020*	*2019*
Changes during the year:		
Opening balance	7,449	7,445
Distribution in the form of Rabobank Certificates	376	-
Changes Rabobank Certificates during the year	(3)	4
Closing balance	**7,822**	**7,449**

Capital Securities

Issue of EUR 1,250 million
The coupon is 3.25% per year and is made payable every six months in arrears as of the issue date (September 9, 2019), for the first time on December 29, 2019. The Capital Securities are perpetual and first redeemable on December 29, 2026. As of December 29, 2026, and subject to Capital Securities not being redeemed early, the distribution is set for a further five-year period, but without a step-up, based on the five-year euro swap rate + 3.702%. The coupon is fully discretionary.

Issue of EUR 1,000 Million
The coupon is 4.625% per year and is made payable every six months in arrears as of the issue date (September 11, 2018), for the first time on December 29, 2018. The Capital Securities are perpetual and first redeemable on December 29, 2025. As of December 29, 2025, and subject to Capital Securities not being redeemed early, the distribution is set for a five-year period, but without a step-up, based on the five-year euro swap rate + 4.098%. The coupon is fully discretionary.

Issue of EUR 1,250 Million
The coupon is 6.625% per year and is made payable every six months in arrears as of the issue date (April 26, 2016), for the first time on June 29, 2016. The Capital Securities are perpetual and first redeemable on June 29, 2021. As of June 29, 2021, and subject to Capital Securities not being redeemed early, the distribution is set for a further five-year period, but without a step-up, based on the five-year euro swap rate + 6.697%. The coupon is fully discretionary.

Issue of GBP 250 Million
The coupon is 6.91% per year and is made payable every six months in arrears as of the issue date (June 10, 2008), for the first time on December 10, 2008. As of June 10, 2038, the coupon will be payable every six months based on the six-month GBP Libor plus an annual 2.825% mark-up. The coupon is payable at the issuer's discretion. In case Rabobank does not use its discretionary power to not pay distributions on the Rabobank Certificates, payment on this instrument will also apply.

Capital Securities Issued by Rabobank That Were Redeemed During the Reporting Year

Issue of EUR 1,500 Million
Rabobank issued the EUR 1,500 million Capital Securities on January 22, 2005. In accordance with the Terms and Conditions of these Capital Securities, Rabobank redeemed these Capital Securities on the first call date, of June 29, 2020.

The level of profit made by Rabobank may influence the distribution on the Capital Securities. Should Rabobank become insolvent, the Capital Securities are subordinate to the rights of all other (current and future) creditors of Rabobank, unless the rights of those other creditors are substantively determined otherwise.

Capital Securities

Amounts in millions of euros	*2020*	*2019*
Movements were as follows:		
Balance on January 1	5,264	6,657
Issuance of Capital Securities	1,000	1,250
Costs of issuance of Capital Securities	(5)	(7)
Redemption of Capital Securities	(1,760)	(2,666)
Other	(17)	30
Balance on December 31	**4,482**	**5,264**

Revaluation Reserves

Amounts in millions of euros	*2020*	*2019*
The revaluation reserves can be specified as follows:		
Cash flow hedges	(47)	(26)
Interest-bearing securities	163	131
Shares and non-interest-bearing securities	224	208
Costs of hedging	36	46
Total revaluation reserves	**376**	**359**
Movements were as follows:		
Balance on January 1	359	199
Exchange rate differences	(75)	18
Revaluations	152	173
Other	6	52
Transferred to profit or loss	(66)	(83)
Balance on December 31	**376**	**359**

Rabobank's cash flow hedges mainly consist of hedges of the margin of issued bonds in foreign currency hedged with cross-currency interest rate swaps to protect against a potential change in cash flows due to change in foreign currency rates. Rabobank assesses the hedge effectiveness on the basis of statistical regression analysis models, both prospectively and retrospectively for IAS 39 cash flow hedges and analyses the sources of ineffectiveness for IFRS 9 cash flow hedges. The IFRS 9 cash flow hedges are 100% effective.

Legal Reserves

Amounts in millions of euros	*2020*	*2019*
The legal reserves can be specified as follows:		
Retained profits of investments in associates	402	315
Software developed in-house	343	321
Translation differences	(1,411)	(742)
Total legal reserves	**(666)**	**(106)**

Amounts in millions of euros	*2020*	*2019*
Movements were as follows:		
Balance on January 1	(106)	(252)
From other reserves to legal reserves	109	71
Exchange rate differences	(669)	75
Balance on December 31	**(666)**	**(106)**

Other Reserves

Amounts in millions of euros	*2020*	*2019*
The other reserves can be specified as follows:		
Recalibration of pensions	(171)	(170)
Fair value changes due to own credit risk on financial liabilities designated at fair value	(109)	(143)
Retained earnings	27,367	26,059
Total other reserves	**27,087**	**25,746**

Amounts in millions of euros	*2020*	*2019*
Movements in the recalibration of pensions:		
Balance on January 1	(170)	(145)
Recalibration of pensions	(1)	(25)
Balance on December 31	**(171)**	**(170)**
Movements in the fair value changes due to own credit risk on financial liabilities designated at fair value:		
Balance on January 1	(143)	(31)
Fair value changes	35	(112)
Realisation at derecognition	(1)	-
Balance on December 31	**(109)**	**(143)**

Amounts in millions of euros	*2020*	*2019*
Movements in retained earnings:		
Balance on January 1	26,059	24,549
Profit for previous financial year	2,158	2,943
Distribution to third parties	(234)	(886)
Transferred to legal reserves	(109)	(71)
Transferred to revaluation reserves	(9)	(53)
Redemption of Capital Securities	(120)	(493)
Disposal of assets	-	71
Distribution in the form of Rabobank Certificates	(376)	-
Other changes	(2)	(1)
Balance on December 31	**27,367**	**26,059**

The reserves cannot be distributed among members. The Consolidated Financial Statements of Rabobank include the financial information of Rabobank and other group companies.

Rabobank's consolidated net profit was EUR 1,096 million (2019: EUR 2,203 million); Rabobank's net profit in the company financial statements was EUR 1,055 million (2019: EUR 2,158 million). The difference of EUR 41 million (2019: EUR 45 million) represents profit attributed to the other non-controlling interests.

The table below shows the reconciliation between the equity of Coöperatieve Rabobank U.A. and consolidated equity:

Amounts in millions of euros	*2020*	*2019*
Equity of Rabobank according to Part 9 of Book 2 of the Dutch Civil Code	40,156	40,870
Non-controlling interests	476	477
Equity according to IFRS as presented in the consolidated financial statements	**40,632**	**41,347**

Notes to the Statement of Income

21. Net Interest Income

Amounts in millions of euros	*2020*	*2019*
Interest income		
Cash and cash equivalents	104	370
Loans and advances to credit institutions	198	370
Loans and advances to customers	9,280	10,840
Derivatives used for fair value hedge-accounting	187	9
Financial assets at fair value through other comprehensive income	398	560
Interest income from financial assets using the effective interest method	**10,167**	**12,149**
Financial assets held for trading	30	30
Derivatives held as economic hedges	1,580	1,453
Financial assets mandatorily at fair value	20	27
Interest income on financial liabilities with a negative interest rate	309	135
Other	18	17
Other interest income	**1,957**	**1,662**
Total interest income	**12,124**	**13,811**
Interest expense		
Deposits from credit institutions	96	154
Deposits from customers	3,246	4,030
Debt securities in issue	1,964	2,839
Financial liabilities held for trading	7	5
Financial liabilities designated at fair value	139	164
Subordinated liabilities	656	745
Interest expense on financial assets with a negative interest rate	345	268
Other	14	10
Total interest expense	**6,467**	**8,215**
Net interest income	**5,657**	**5,596**

22. Net Fee and Commission Income

Amounts in millions of euros	*2020*	*2019*
Fee and commission income		
Payment services	728	732
Lending	441	502
Purchase and sale of other financial assets and handling fees	310	312
Insurance commissions	276	294
Other commission income – group companies	1	4
Other commission income	161	86
Total fee and commission income	**1,917**	**1,930**
Fee and commission expense		
Payment services	200	213
Handling fees	22	32
Custodial fees and securities services	9	8
Purchase and sale of other financial assets	-	-
Other commission expense – group companies	21	19
Other commission expense	33	13
Total fee and commission expense	**285**	**285**
Net fee and commission income	**1,632**	**1,645**

23. Income from Equity Interests

Amounts in millions of euros	*2020*	*2019*
Dividend income from shares	-	2
Results from interests in group companies	783	764
Results from other equity investments	170	123
Results from disposed interests	8	1
Total income from equity interests	**961**	**890**

24. Staff Costs

Amounts in millions of euros	*2020*	*2019*
Wages and salaries	1,984	1,914
Social security contributions and insurance costs	212	233
Pension costs	355	352
Training and travelling expenses	78	143
Other staff costs	879	1,040
Total staff costs	**3,508**	**3,682**

The average number of internal and external employees 35,920 (2019: 35,429), of which outside the Netherlands 3,363 (2019: 3,153). Expressed in FTEs, the average number of internal and external employees was 34,484 (2019: 33,529).

25. Regulatory Levies

The regulatory levies consist of bank tax, bank levies and contributions to the Single Resolution Fund and the Deposit Guarantee Scheme.

Amounts in millions of euros	*2020*	*2019*
Bank tax Netherlands	116	112
Bank tax other countries	10	8
Contribution Single Resolution Fund	188	173
Contribution Deposit Guarantee Fund	175	136
Regulatory levies	**489**	**429**

26. Income Tax

The major components of the income tax are included below.

Amounts in millions of euros	*2020*	*2019*
Income tax		
Reporting period	278	410
Adjustments of previous years	(74)	(24)
Deferred tax	(124)	140
Total income tax	**80**	**526**
Effective tax rate	7.0%	19.6%
Applicable tax rate	25.0%	25.0%

The effective tax rate differs from the applicable tax rate in 2020 mainly because of the net inclusion of income from group entities and the deduction of interest payments on Capital Securities.

The effective tax rate was 7.0% (2019: 19.6%) and differs from the theoretical rate that would arise using the Dutch corporate tax rate. This difference is explained as follows:

Amounts in millions of euros	*2020*		*2019*	
Operating profit before taxation		1,135		2,684
Applicable tax rate	25%	284	25%	671
Increase/(decrease) in taxes resulting from:				
Tax-exempt income	(16.4%)	(185)	(5.2%)	(139)
Impact of foreign tax rates	1.5%	17	(0.3%)	(8)
Non-deductible expenses	6.5%	74	1.6%	44
Recognition of previously unrecognized tax losses	-	-	-	(1)
Other permanent differences	(5.2%)	(59)	(1.2%)	(33)
Adjustments of previous years	(6.5%)	(74)	2.6%	69
Adjustment due to changes in tax rates	(1.8%)	(21)	(1.5%)	(40)
Write-down deferred tax items	2.1%	24	-	-
Other non temporary differences	1.8%	20	(1.4%)	(37)
Total income tax	**7.0%**	**80**	**19.6%**	**526**

Other Notes to the Financial Statements

27. Professional Securities Transactions and Assets Not Freely Available

Reverse repurchase transactions and securities borrowing agreements concluded by Rabobank are included under "Loans and advances to credit institutions" or "Loans and advances to customers".

Amounts in millions of euros	*2020*	*2019*
Loans and advances to credit institutions	15,203	22,074
Loans and advances to customers	17,520	13,756
Total	**32,723**	**35,830**

Repurchase transactions and securities lending agreements concluded by Rabobank are included under "Due to credit institutions" and "Due to customers" .

Amounts in millions of euros	*2020*	*2019*
Due to credit institutions	431	1,502
Due to customers	150	32
Total	**581**	**1,534**

The assets referred to in the table below (with exception of professional securities transactions) were provided to counterparties as security for (contingent) liabilities. If Rabobank would enter into default the counterparties may use the security to settle the debt.

Amounts In millions of euros		*2020*	*2019*
Assets not freely available:	**Related to type of liabilities:**		
Loans and advances to credit institutions	Derivatives	2,174	2,155
Loans and advances to customers	Due to customers, Debt securities in issue	24,192	18,809
Interest-bearing securities	Due to customers	3,674	3,260
Total		**30,040**	**24,224**

28. Contingent Liabilities

Rabobank enters into irrevocable loan commitments as well as contingent liabilities consisting of financial guarantees and standby letters of credit on behalf of its customers. Under these contracts Rabobank is required to perform under an obligation agreement or to make payments to the beneficiary on third party's failure to meet its obligations. The following table shows the amount of the maximum potential utilization of contingent liabilities.

Amounts in millions of euros	*2020*	*2019*
Contingent liabilities consist of:		
Financial guarantees	5,927	7,401
Loan commitments	39,116	36,358
Other commitments	23,143	23,678
Total contingent liabilities	**68,186**	**67,437**
Of which:		
Contingent liabilities of group companies	12,734	16,116

Liability Undertakings

Pursuant to Section 403 of Book 2 of the Dutch Civil Code, Rabobank has assumed liability for the debts arising from the legal transactions of the following group companies:

- Bodemgoed B.V.
- De Lage Landen America Holdings B.V.
- De Lage Landen Corporate Finance B.V.
- De Lage Landen International B.V.
- De Lage Landen Vendorlease B.V.
- Fideaal B.V.
- Rabo Direct Financiering B.V.
- Rabo Factoring B.V.
- Rabo Financial Solutions Holding B.V.
- Rabo Groen Bank B.V.
- Rabo Lease B.V.
- Rabo Merchant Bank N.V.
- Rabo Vastgoed Lease B.V.
- Rabobank International Holding B.V.

Rabobank issued a liquidity guarantee for Rabo Groen Bank B.V.

Fiscal Unity for Corporate Tax Purposes

For corporate tax purposes Rabobank forms a fiscal unity with a number of domestic subsidiaries. Under the fiscal unity, each participating legal entity is jointly and severally liable for the fiscal unity's corporate tax liabilities.

29. Main Group Companies

In 2020, none of the group companies experienced any significant restrictions in the payment of dividends or the redemption of loans and repayment of advances. The option of group companies to pay dividend to Rabobank depends on various factors, including local regulatory requirements, statutory reserves and financial performance.

On December 31, 2020	*Share*	*Voting rights*
Main group companies		
The Netherlands		
DLL International B.V.	100%	100%
BPD Europe B.V.	100%	100%
Obvion N.V.	100%	100%
North America		
Utrecht America Holdings Inc.	100%	100%
Australia and New Zealand		
Rabobank Australia Limited	100%	100%
Rabobank New Zealand Limited	100%	100%

30. Remuneration of the Supervisory Board and the Managing Board

The members of the Managing Board and the Supervisory Board are listed in Section 33 of these financial statements. The information on remuneration of the members of the Managing Board and the Supervisory Board is included in Section 50 'Remuneration of the Supervisory Board and the Managing Board' in the Consolidated Financial Statements.

31. Proposals Regarding the Appropriation of Available Profit for Rabobank

Of the profit of EUR 1,055 million, EUR 233 million is payable to the holders of Capital Securities in accordance with Managing Board resolutions. Rabobank proposes to add the remainder of the profit to the general reserves held by Rabobank.

32. Events After the Reporting Period

There were no subsequent events.

33. Authorization of the Financial Statements

The financial statements were signed by the Supervisory Board and Managing Board on March 4, 2021. The financial statements will be presented for adoption to the General Meeting, to be held on April 16, 2021. With regard to the adoption of the financial statements of Rabobank, the Articles of Association state: "The resolution to adopt the financial statements will be passed by an absolute majority of the votes validly cast by the General Members' Council."

Managing Board
Wiebe Draijer, *Chairman*
Bas Brouwers, *CFO*
Els de Groot, *CRO*
Kirsten Konst, *Member*
Bart Leurs, *Member*
Mariëlle Lichtenberg, *Member*
Berry Marttin, *Member*
Ieko Sevinga, *Member*
Janine Vos, *Member*

Supervisory Board
Ron Teerlink, *Chairman*
Marjan Trompetter, *Vice Chairman*
Arian Kamp
Jan Nooitgedagt
Petri Hofsté
Pascal Visée
Annet Aris
Mark Pensaert

Other Information

Statutory Provisions

Profit can be used under a Managing Board resolution to pay distributions on participation rights and distributions on additional tier 1 instruments.

The remainder of the profit is added to the general reserves held by Rabobank. The Managing Board can also decide to make interim distributions to holders of participation rights and the holders of additional tier 1 instruments from the profit and/or the result. While Rabobank still exists, the reserves cannot be distributed to the members, neither in full, nor in part. The Managing Board has the right to make a distribution from the reserves on participation rights and/or additional tier 1 instruments. If the decision is taken at any time to dissolve Rabobank in order to have its business continued by another legal entity or institution, the reserves will be transferred to said other legal entity or institution.

Independent auditor's report

To: The General Members' Council and Supervisory Board of Coöperatieve Rabobank U.A.

Report on the financial statements 2020

Our opinion

In our opinion:

- the consolidated financial statements of Coöperatieve Rabobank U.A. together with its subsidiaries ('the Group') give a true and fair view of the financial position of the Group as at 31 December 2020 and of its result and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code; and
- the company financial statements of Coöperatieve Rabobank U.A. ('the Company', 'Rabobank' or 'the Bank') give a true and fair view of the financial position of the Company as at 31 December 2020 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the accompanying financial statements 2020 of Coöperatieve Rabobank U.A., Amsterdam. The financial statements include the consolidated financial statements of the Group and the company financial statements.

The consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2020;
- the following statements for 2020: the consolidated statement of income, the consolidated statements of comprehensive income, of changes in equity and of cash flows; and
- the notes, comprising significant accounting policies and other explanatory information.

The company financial statements comprise:

- the statement of financial position as at 31 December 2020;
- the statement of income for the year then ended; and
- the notes, comprising the accounting policies applied and other explanatory information.

The financial reporting framework applied in the preparation of the financial statements is EU-IFRS and the relevant provisions of Part 9 of Book 2 of the Dutch Civil Code for the consolidated financial statements and Part 9 of Book 2 of the Dutch Civil Code for the company financial statements.

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The basis for our opinion

In expressing this opinion, we believe that the audit evidence we have obtained is sufficient and appropriate. Our audit has been undertaken, and our opinion expressed, in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities and those of the Managing Board and Supervisory Board are explained in the section 'Responsibilities for the financial statements and audit' of our report.

Independence

We reviewed the details of services provided by the PwC network of firms and concluded that we are independent of Coöperatieve Rabobank U.A. in accordance with the European Regulation on specific requirements regarding statutory audit of public interest entities, the 'Wet toezicht accountantsorganisaties' (Wta, Audit firms supervision act), the 'Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten' (ViO – Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Dutch Code of Ethics).

Our audit approach

Overview and context of the 2020 audit

Rabobank is an international bank operating on the basis of cooperative principles. Rabobank operates globally in 38 countries with a focus on universal banking in the Netherlands and food and agricultural financing in the Netherlands and abroad. Its operations include domestic retail banking, wholesale banking, international rural banking, leasing and real estate. As the Group comprises multiple components, we considered our group audit scope and approach as set out in the section 'The scope of our group audit'.

Rabobank operates in a challenging environment due to the continuing low interest environment, the financial and operational impact of the coronavirus pandemic ('COVID-19'), changes to customer preferences (partly prompted by COVID-19 lockdowns) which require ongoing investments in digitisation and high expectations from society towards compliance with laws and regulations. The reliability and continuity of information processing is significant to the Bank's operational, regulatory and financial reporting processes and we have therefore identified the design and effectiveness of IT General Controls as a key audit matter.

Furthermore, there is an industry risk that emerging compliance areas have not been identified and or addressed by management for financial statement purposes. This includes the consideration whether there is a need for the recognition of a contingent liability disclosure on the future outcome of regulatory investigations. Consequently, we have identified regulatory exposures as a key audit matter.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the Managing Board made important judgements, for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. In paragraph 'Judgements and Estimates' in note 2.1 to the financial statements, the Bank describes the areas of judgement in applying accounting policies and the key sources of estimation uncertainty. Of the estimates and judgements mentioned in this paragraph, we consider the impairment allowances on loans and advances to customers a key audit matter, given the significant estimation uncertainty in combination with the magnitude.

The economic uncertainty due to COVID-19 has heightened the impact of certain estimations and judgements made by the Group, specifically towards forward-looking assumptions applied to the probability of default and the associated macroeconomic scenarios that were applied across the Group's portfolio.

Other areas of focus, that were not considered to be key audit matters, were revenue recognition, fair value of financial instruments (more specifically level 2 and level 3 financial instruments including credit valuation adjustments), hedge accounting, recoverability of goodwill, other intangible assets, investments in associates and buildings (including data centres), taxation (more specifically, valuation of deferred tax assets), litigation and other provisions, and accounting for the Targeted Longer-Term Refinancing Operations (TLTRO-III) conditional interest bonus. Though these are areas of focus in our audit, they were not the matters of most significance in the audit of the financial statements of the current period.

We ensured that the audit teams, both at group and at component levels, collectively contain the appropriate skills and competences which are needed for the audit of a bank. We therefore included specialists and experts in the areas of IT, taxation, forensics, valuation of financial instruments, real estate and employee benefits, macroeconomic forecasting and hedge accounting in our team.

Impact of COVID-19 on our 2020 audit approach

Following the COVID-19 outbreak, auditors are facing challenges in performing their audits. In response to that, we have considered the impact of the pandemic on our audit approach and the execution of our audit. Inquiries and meetings with management were done via video conferencing. Teams were reminded of the importance of staying alert to the quality of audit evidence and to perform sufficient and appropriate tests to be satisfied that this information is complete, accurate and authentic. The following highlights the areas of focus in our audit that we paid specific attention to:

- the impact on audit materiality, including the basis on which our materiality is determined, outlined in the section 'Materiality;
- the impact on our group audit. We have reassessed our planned audit procedures in relation to the work of component auditors, such as organising video conference meetings with local management and component teams instead of our annual site visits. Additionally, where we have gained a full digital access to component files, we performed a remote review of selected working papers of the work performed by component teams. Furthermore, active dialogues, clear communication and effective use of technology have allowed us to direct and supervise the performance of our component teams;
- the impact on the Bank's control environment due to remote working. We assessed that the impact of the COVID-19 pandemic, including working in a remote environment, on the effective operation of controls was limited. Our procedures are explained in the section 'Key Audit matter: Design and effectiveness of IT General Controls' of our report. The majority of the Bank's day-to-day accounting and operational processes were already performed electronically and had the ability to be performed remotely. Therefore, the transition to a remote working environment did not cause significant change or disruption on the Bank's control environment; and
- accounting implications, such as impairment allowances on loans and advances to customers, recoverability assessment of investment in Achmea, impairment assessment on goodwill and buildings and accounting for the Targeted Longer-Term Refinancing Operations (TLTRO-III) conditional interest bonus. The uncertainty within the current environment and the continual changing nature of the unprecedented impact of the COVID-19 pandemic has added further complexity and challenges when auditing accounting estimates. Our procedures include

assessments of these accounting matters and the relevant disclosures in the financial statements in accordance with the financial reporting framework applied by the Bank. We refer to the section on key audit matters for procedures performed on impairment allowances on loans and advances to customers.

The outline of our approach was as follows:

Materiality
- Overall materiality: €120 million (2019: €150 million).

Audit scope
- We conducted audit work on 14 components.
- Video conferencing meetings with the component teams and local Rabobank management in the following locations – the Netherlands, USA, Australia and Brazil.
- Audit coverage: 92% of total assets, 90% of profit before tax and 92% of net interest income.

Key audit matters
- Impairment allowances on loans and advances to customers.
- Regulatory exposures.
- Design and effectiveness of IT General Controls.

Materiality

The scope of our audit is influenced by the application of materiality, which is further explained in the section ‘Our responsibilities for the audit of the financial statements’.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and to evaluate the effect of identified misstatements, both individually and in aggregate, on the financial statements as a whole and on our opinion.

Overall group materiality	€120 million (2019: €150 million)
Basis for determining materiality	We used our professional judgement to determine overall materiality. As a basis for our judgement, we used a 5% weighted average of profit before tax of the current year and previous two years, with the current year receiving higher weight in the measurement of materiality, as we consider the current year to be more relevant (2019: 5% of profit before tax). Therefore, 2018 and 2019 profit before tax each represent 25% of the weighted average, whereas 2020 profit before tax represents 50%.

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Rationale for benchmark applied	We used profit before tax as the primary benchmark, a generally accepted auditing practice, based on our analysis of the common information needs of users of the financial statements. On this basis, we believe that profit before tax is an important metric for the financial performance of the Bank and is widely used within the industry. Furthermore, we utilised a 5% threshold, based on our professional judgement, noting it is within the range of commonly acceptable thresholds. For the current year, our approach to determining materiality is based on a 5% three-year average of profit before tax as outlined above, whereas our materiality in prior year was based on 5% of current year profit before tax. The adoption of a multi-year average benchmark for materiality responds to adverse economic trends and volatility in profit before tax from year to year, attributable to the impact of COVID-19, which also reflect the Bank's scale of operations. Using our professional judgement, we determined materiality for this year at €120 million, which equates to approximately 8% of the current year's profit before tax.
Component materiality	To each component in our audit scope, we allocated, based on our judgement, materiality that is less than our overall group materiality. The range of materiality allocated across components was between €27 million and €65 million.

We also take misstatements and/or possible misstatements into account that, in our judgement, are material for qualitative reasons. Examples of areas that we focussed on due to qualitative reasons are the accuracy of disclosures on impairment allowances on loans and advances to customers, fair value, recoverability of investments in associates, impairment of goodwill, regulatory exposures and the remuneration of the Supervisory Board and the Managing Board.

We agreed with the Supervisory Board that we would report to them misstatements identified during our audit above €6 million (2019: €7.5 million), as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

The scope of our group audit

Coöperatieve Rabobank U.A. is the parent company of a group of entities. The financial information of this Group is included in the consolidated financial statements of Coöperatieve Rabobank U.A.

We tailored the scope of our audit to ensure that we, in aggregate, provide sufficient coverage of the financial statements for us to be able to give an opinion on the financial statements as a whole, taking into account the management structure of the Group, the nature of operations of its components, the accounting processes and controls, and the markets in which the components of the Group operate.

In establishing the overall group audit strategy and plan, we determined the type of work required to be performed at the component level by the group engagement team and by each component auditor.

In determining the scope of the group audit, we first assessed the components that are individually financially significant to the group (i.e. significant component), namely Domestic Retail Banking Netherlands (not including Obvion and other associated entities), Wholesale and Rural in the Netherlands ('W&R') and De Lage Landen ('DLL'). Secondly, we assessed Vermogensbeheer Rabobank Nederland ('VRN') as a significant component as it holds the Bank's investment in Achmea B.V., an area that we assessed as a significant risk in our audit.

These components were subjected to audits of their complete financial information (full scope audit). To achieve appropriate audit coverage over the consolidated financial statements, we further selected ten additional components for full scope audit, audit of certain specific account balances, and specified procedures.

Rabobank has an internal audit department ('Audit Rabobank') that performs operational audits, compliance audits, IT audits, loan (valuation) audits and audits on internal control on financial reporting. We considered, in the context of Dutch standard 610 'Using the work of internal auditors', whether we could make use of the work of Audit Rabobank and we concluded that this was appropriate. To arrive at this conclusion, we evaluated the competence and objectivity, as well as the systematic and disciplined approach applied by Audit Rabobank. Subsequently, we developed a detailed approach and model to make use of the work of Audit Rabobank in our financial statement audit. We were substantially and independently involved in the higher risk areas and/or in areas or procedures that require significant judgement. During the audit process, we worked closely with Audit Rabobank, had frequent status meetings and reviewed and reperformed some of their work which confirmed our initial assessment and reliance approach.

In total, in performing these procedures, we achieved the following coverage on the financial line items:

Total assets	92%
Profit before tax	90%
Net interest income	92%

None of the remaining components represented individually more than 1% of total group assets, profit before tax or net interest income. For those remaining components, we performed, amongst other procedures, analytical procedures to corroborate our assessment that there were no significant risks of material misstatements within these components.

Group components in the Netherlands include the significant components Domestic Retail Banking, W&R, DLL and VRN, but also include Property Development, Obvion and some other smaller components (including group components). The group engagement team utilised the work of component teams for these entities. For components in the USA, Australia/New Zealand and Brazil, we used component auditors who are familiar with the local laws and regulations to perform the audit work. All components in scope for group reporting are audited by PwC member firms.

Where component auditors performed the work, we determined the level of involvement we needed to have in their audit work, to be able to conclude whether sufficient and appropriate audit evidence had been obtained as a basis for our opinion on the financial statements as a whole.

We issued instructions to the component audit teams in our audit scope. These instructions included, amongst others, our risk assessment, materiality and scope of the work. We explained to the component audit teams the structure of the Group, the main developments that are relevant for the component auditors, the risks identified, the materiality levels to be applied and our global audit approach. We were in active dialogue throughout the year with all component audit teams in scope for group reporting, including upon the conclusion of their work.

During these dialogues, we discussed the planning, risk assessment, significant accounting and audit issues identified by the component auditors, the reports of the component auditors, the findings of their procedures and other matters, which could be of relevance for the consolidated financial statements. For the significant components, we reviewed selected working papers of the component auditors.

Since the COVID-19 outbreak limited our ability to physically visit all components in scope of group reporting this year, we conducted a series of video conference meetings with local management along with component audit teams in the Netherlands, USA, Australia and Brazil. During these meetings, we discussed the strategy and financial performance of the local businesses, as well as the audit plan of the component auditors and execution thereof, significant audit risks and other relevant audit topics.

The group engagement team performed the audit work on the group consolidation, IT General Controls, central cost centre, financial statement disclosures, certain specific accounts in scope and a number of complex items, such as impairment allowances on loans and advances to customers, hedge accounting, and certain other accounting matters, such as the valuation of investments in associates, part of the Bank's goodwill, income tax on the Dutch fiscal unity, regulatory matters and the legal provisions at the head office.

Through the procedures performed by component teams, combined with the additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence on the Group's financial information, as a whole, to provide a basis for our opinion on the financial statements.

Our focus on the risk of fraud and non-compliance with laws and regulations

Fraud

The objectives of our audit with respect to fraud are:

- to identify and assess the risks of material misstatement of the financial statements due to fraud;
- to obtain sufficient and appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate audit responses; and
- to respond appropriately to fraud or suspected fraud identified during the audit.

As in all of our audits, in assessing the risks of material misstatement in the financial statements, we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the Managing Board that may represent a risk of material misstatement due to fraud. We evaluated the design and the implementation and, where considered appropriate, tested the operating effectiveness of internal controls that mitigate fraud risks, performed data analysis of high-risk journal entries and evaluated key estimates and judgements for bias by Rabobank, and finally we incorporated elements of unpredictability in our audit. We refer to the key audit matter 'Impairment allowances on loans and advances to customers' that is an example of our approach related to an area with higher risk due to accounting estimates where management makes significant judgements.

As part of our procedures, we had dialogues throughout the year with the Rabobank Financial and Economic Crime ('FEC') team. The FEC team investigates, amongst others, reported internal integrity, whistleblowing and fraud matters.

We assessed the process which the Bank has in place, this assessment included: assessing the skills of the investigators, the investigation approach and based on risk-based criteria, we selected a number of these individual cases, and reviewed the documentation, conclusions, reporting and responses from the FEC team. We involved our forensic specialists in these procedures.

The primary responsibility for the prevention and detection of fraud lies with the Managing Board with the oversight of the Supervisory Board.

Laws and regulations

There is an industry risk that emerging compliance areas have not been identified and or addressed by management for financial statement purposes. This includes the consideration whether there is a need for the recognition of a provision or a contingent liability disclosure on the future outcome of legal or regulatory processes.

The objectives of our audit, in respect to non-compliance with laws and regulations are:

- to identify and assess the risk of material misstatement of the financial statements due to non-compliance with laws and regulations; and
- to obtain reasonable assurance that the financial statements, taken as a whole, are free from material misstatement, whether due to fraud or error when considering the applicable legal and regulatory framework.

In line with Dutch Standard 250, we made in our audit approach a distinction between those laws and regulations which:

- have a direct effect on the determination of material amounts and disclosures in the financial statements. For this category, we obtained audit evidence regarding compliance with the provision of those laws and regulations; and
- do not have a direct effect on the determination of material amounts and disclosures in the financial statements, but where compliance may be fundamental to the operating aspects of the business, to the Bank's ability to continue its business or to avoid material penalties. For this category, we performed specific audit procedures to identify non-compliance with those laws and regulations that may have a material effect on the financial statements.

We identified that the risk of non-compliance with laws and regulates relates mainly to the laws and regulations which have an indirect impact on the financial statements as described in the key audit matter: Regulatory exposures.

The primary responsibility for the prevention and detection of non-compliance with laws and regulations lies with the Managing Board with the oversight of the Supervisory Board.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance to the audit of the financial statements. We have communicated the key audit matters to the Audit Committee and Supervisory Board. The key audit matters are not a comprehensive reflection of all matters that were identified by our audit and that we discussed. In this section, we described the key audit matters and included a summary of the audit procedures we performed on those matters.

We addressed the key audit matters in the context of our audit of the financial statements as a whole, and in forming our opinion thereon. We do not provide separate opinions on these matters or on specific elements of the financial statements. Any comment or observation we make on the results of our procedures should be read in this context.

As compared to last year, there have been no changes in key audit matters. The key audit matters described below are mostly related to the nature of the Group and are therefore expected to occur every year. We took the impact of the COVID-19 pandemic into consideration in the audit procedures we performed on the existing key audit matters. These are described in more detail in the individual key audit matters below.

Key audit matter	Our audit work and observations
Impairment allowances on loans and advances to customers Refer to note 2.16 'Impairment allowances on financial assets', note 4.3.4 'Impairment allowances on financial assets and credit related contingent liabilities' and note 12 'Loans and advances to customers'. In accordance with the requirements of IFRS 9, Rabobank calculates the impairment allowances on loans and advances to customers using a three-stage expected credit loss impairment model. Rabobank determines loan impairments in stage 1 and 2 on a modelled basis whereas the loan impairments in stage 3 are determined on either a modelled basis or on a specific loan-by-loan basis. *Modelled loan impairments* For the modelled loan impairments, Rabobank utilised point in time probability of default (PD), loss given default (LGD) and exposures at default (EAD) models for the majority of the loan portfolio. Three global macroeconomic scenarios (consisting of a baseline, a baseline minus and a baseline plus scenario) were incorporated into these models and probability weighted in order to determine the expected credit losses. The increased degree of estimation uncertainty due to economic impacts of COVID-19 in developing macroeconomics scenarios, including the associated weightings given the range of potential economic outcome and suitability of models used during COVID-19 have led to a high degree of management judgement. In case of data quality issues, or when unexpected external developments were not sufficiently covered by the outcome of the impairment models, adjustments were made (so called top level adjustments). This year, in addition to other adjustments, top level adjustments are recognised in relation to COVID-19 for the following matters:	*Control design and operation effectiveness* We evaluated the design and tested the operating effectiveness of key controls over: • The internal credit management process to assess the loan quality classification to identify impaired loans; • The assessment of the future cash flows and existence and valuation of collateral, based on the appropriate use of key parameters for the specific impairment allowance; • The methodology and controls applied in measuring and determining significant increase in credit risk; • The governance over development, validation, calibration and implementation of the PD, EAD and LGD impairment models; and • The review and approval process that management has in place for the outputs of the impairment models, and the top level adjustments that are applied to model outputs. The majority of these controls were designed and operated effectively. For certain controls, remedial control activities and impact assessments were performed by management. Based on the testing of controls and additional testing of remedial actions, we determined that it was appropriate to place reliance on the above controls for the purpose of our audit. *Assessment of model-based impairment allowances* We have tested management's process for model-based impairment allowance, including their consideration of the economic disruption caused by COVID-19, we (together with our internal model experts) have: • Evaluated the reasonableness of PD and LGD model methodology; • Assessed model validation reports prepared by Rabobank's model validation department;

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Key audit matter	***Our audit work and observations***
• An adjustment of €594 million to reflect the risk of expected further defaults. Based on management's judgement, the IFRS 9 model outcome related to business loans in Europe did not appropriately reflect the increase in credit risk as the government support measures have postponed to a certain extent the direct financial impact of the lockdown measures for most of the clients; and • An adjustment of €87 million for sectors which are assessed as vulnerable sectors by Rabobank, based on a post COVID-19 credit risk sector assessment. All exposures are moved to stage 2 to reflect the long-term challenging conditions and reflect the significant increase in credit risk ('SICR'). In addition, two other important top level adjustments have been recognised, one as a result of IFRS 9 model back test results and one for the expected impact of new legislation *(Wet Homologatie Onderhands Akkoord)*. *Individually assessed credit-impaired loans* For credit-impaired loans that are assessed on an individual basis, the impairment allowance is based on the weighted average of the net present value of expected future cash flows (including forward looking information and the valuation of underlying collateral) in three different scenarios: a sustainable cure, an optimising scenario and a liquidation scenario. *Judgements and estimation uncertainty* The judgement and estimation uncertainty in the impairment allowance of loans and advances is primarily linked to the following aspects: • Judgement is required to determine significant increase in credit risk which is applied to transfer assets from stage 1 to stage 2; • Judgment is required in complex models such as the probability of default (PD) and loss given default (LGD) that are used to estimate expected credit losses; • Judgment is required to determine exposures at default (EAD) which takes into account expected changes due to prepayments; • Judgement is required as part of preparing the probability weighting the macroeconomic scenarios applied in the modelled loan impairments, including impacts from COVID-19; • Judgement is required as part of determination of top level adjustments to the outcome of models due to unexpected external	• Together with our internal economist office, evaluated the reasonableness of management's inputs and assumptions used in the design of multiple future macroeconomic scenarios, the forecasted macroeconomic variables, the probability weights assigned to the scenarios including evaluation of the consistency of these assumptions with external market and industry data; • Performed back testing procedures on key model parameters per 31 December 2020; and • Evaluated the reasonableness of prepayment rates applied in the EAD calculations based on historical prepayments. Based on the above, we assessed the methodology in line with industry practice and the inputs to be reasonable. Finally, we evaluated the top level adjustments per 31 December 2020 by obtaining supporting evidence, evaluating alternative and contradictory information that these adjustments were necessary to balance underlying model and data limitations. Specifically, for the top level adjustments recognised in relation to COVID-19, we have exercised professional scepticism in our audit given the significance and subjective nature of these top level adjustments. In doing so, we challenged management to consider multiple scenarios and information, such as historical analysis, sensitivity analysis and liquidity analysis per sector. Also, together with our internal economist office, we evaluated the reasonableness of management's assessment of vulnerable sectors, including evaluation of the consistency with external market and industry data. We found the provided supporting evidence to be reasonable in the determination of the impairment allowances on loans and advances to customers. As part of our audit procedures, we considered the risk of management bias and concluded that the resulting impairment allowances are not indicative of such bias. *Assessment of individually assessed credit- impaired loans* Considering the inherent estimation risk of individually credit-impaired loans, we selected appropriate samples and analysed the latest developments at the borrowers and considered whether the key judgements and significant estimates applied in the impairment allowance were acceptable for 31 December 2020. This included the following procedures: • Evaluate the reasonableness of the forecasted cash flows (including the use of forward-looking information) for each scenario by comparing them to historical performance of the customer and evidence (such as collateral values) to support forecasted cashflows;

Key audit matter	***Our audit work and observations***
developments or data quality or to reflect the risk of expected further defaults due to COVID-19; and • For credit-impaired loans and advances that are assessed on an individual basis, discounted cash flow calculations are performed for three scenarios (a sustainable cure, an optimising and a liquidation scenario). In such cases, judgement is required for the estimation of the expected future cash flows and the weighting of the three scenarios. Given the significance of the number of accounting policy choices, judgements taken by management, the complexity and the inherent limitations to the inputs required by the loan impairment models, this area is subject to a higher risk of material misstatement due to error or fraud. Therefore, we considered this a key audit matter in our audit.	• Assessing the external collateral valuator's credentials and the valuation with an independent valuation performed by our valuation experts, for a sample of loans; and • Assessing management's analysis of the probability allocation of each individual scenario for each credit-impaired loan, corroborate with the actual facts and circumstances. Based on the above we assessed the methodology and inputs to be in line with market and industry practice in the determination of the impairment allowances on loans and advances to customers. We also evaluated whether the disclosures in the consolidated financial statements are adequate and in accordance with IFRS-EU. We found the disclosures to be appropriate in this context.
Regulatory exposures Refer to note 4.8 'Operational Risk'. *Completeness of identification of emerging compliance* There is an industry risk that emerging compliance areas have not been identified and/or addressed by management for financial statement purposes. This includes the consideration whether there is a need for the recognition of a contingent liability disclosure on the future outcome of regulatory investigations. We identified that the risk of non-compliance with laws and regulations relates mainly to the laws and regulations which have an indirect impact on the financial statements, such as Anti-Money Laundering and Anti-Terrorist Financing Act (Wwft) (inclusive global regulations on Anti-Money Laundering (AML), Counter Terrorist Financing (CTF) and sanctions, Know Your Customer (KYC)), Market Abuse Regulation, Markets in Financial Instruments Directive II (MiFID II – including transaction reporting),the General Data Protection Regulation (GDPR), the Capital Requirements Regulations (CRR) and Capital Requirements Directive IV (CRD IV). In this respect, the Bank disclosed in note 4.8 'Operational Risk' that in 2020 De Nederlandsche Bank ('DNB') levied a penalty of €500,000 in respect of non-compliance with AML and KYC regulations.	*General* We obtained an understanding of the significant laws and regulations with which the Bank has to comply and how it is instituting and operating appropriate systems of internal control to comply with those laws and regulations. *Specific audit procedures to identify non-compliance with those laws and regulations that may have a material effect on the financial statements.* We had dialogues with members of the Managing Board on a regular basis to understand emerging and potential regulatory exposures. We challenged management's view on these regulatory exposures based upon our knowledge and experience of emerging industry trends and the regulatory environment. To identify potential regulatory investigations that could lead to the need for potential new provisions or disclosures in the financial statements, we read the Bank's relevant correspondence with its key regulators being the Autoriteit Financiële Markten ('AFM'), the DNB, the Federal Reserve ('FED') and the European Central Bank ('ECB'). Also, we met, through video conferencing, on a trilateral and bilateral basis with the joint supervisory team of DNB and ECB during the year. We read the minutes of the Managing Board and the Supervisory Board meetings and attended all Risk and Audit committee meetings throughout the year up to the signing date of our auditor's report.

Key audit matter	Our audit work and observations
Management judgement The recognition and measurement of provisions and the disclosure of contingent liabilities requires considerable management judgement around the future outcome of regulatory investigations. Given the inherent uncertainty and the judgemental nature, we determined the provisions and disclosures on contingent liabilities due to non-compliance with laws and regulations to be of particular importance to our audit, since this area is subject to a higher risk of material misstatement due to error or fraud. Therefore, we determined this to be a key audit matter in our audit.	We held regular bilateral meetings with the chairs of the Supervisory Board, Audit committee and Risk committee. We inquired with the internal compliance department to understand the risk position of each new as well as existing regulatory investigations and reviewed reports and assessments of the Bank's internal audit department relating to compliance with laws and regulations. During the inquiries performed, the attendance in video conferencing meetings and reading of the minutes and reports, we noted that compliance, related matters and improvement of procedures and tooling around compliance continue to receive attention of management. More specifically, we noted that there are specific programs in place that aim to improve AML and KYC processes throughout the Group. These programs are also connected to the regulatory investigations related to AML and KYC in the USA and the Netherlands. We obtained an understanding of the initiatives which are part of these programs through reading of program deliverables, inquiry of the program owners, the Managing Board, the Audit Committee, reading of correspondence with AFM, DNB, Federal Reserve and ECB related to these matters and discussed the outcomes of audits performed by the Bank's internal audit department with respect to AML and KYC. Also, we paid specific attention to the penalty of €500,000 that was levied by DNB in 2020. In evaluating the disclosures made by the Bank on this matter, we read the correspondence from DNB, had dialogues with members of the Managing Board, Supervisory Board and the Bank's internal compliance department, and obtained program deliverables that describe the Bank's actions to remediate this. Finally, we assessed the overall disclosures that were made in highlighting the uncertainties and exposures of contingent liabilities due to non-compliance with laws and regulations.
Design and effectiveness of IT General Controls The Bank's operations and financial reporting system are heavily dependent on IT systems, including automated accounting procedures and IT dependent manual controls. The Information Technology General Controls (ITGCs) over IT systems include:	Our procedures included evaluating and testing the design and operating effectiveness of certain controls over the continued integrity of the IT systems that are relevant to financial reporting, focusing on: • Entity level controls over information technology in the IT organisation, including IT governance, IT risk management and cybersecurity management; • Management of access to programs and data, including user access to the network, access to and authorisations within applications, privileged

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Key audit matter	*Our audit work and observations*
• the framework of governance over IT systems; • controls over program development and changes; • controls over access to programs, data and IT operations; and • governance over generic and privileged user accounts. ITGCs help determine the continued reliability of information generated by applications and ensure automated applications operates effectively in a consistent manner. Effective ITGCs are conditional for reliance on automated controls in the Bank's operations, and in our audit approach. Deficiencies in ITGCs could have a pervasive impact across the Bank's internal control framework. The Bank has a number of long-term strategic regulatory and transformation projects, with important IT-components to continue to meet the high reporting standards and expectations from stakeholders relating to operating effectiveness, efficiency and data quality. During system transitions, there is an increased risk that ITGCs are not operating as intended. With the shift from working on-site to a remote working environment, the Bank managed to enhance its security policies supporting a larger workforce working remotely. Therefore, we identified the Bank's IT General Controls as a key audit matter.	access rights to applications, databases and operating systems and physical access to data centres. As the Bank uses automated tools to manage access rights, we have evaluated the appropriate use of these tools and tested the correct operation of these tools; • Governance over the strategic IT transformation projects and assessment of the impact on our 2020 audit; • Management of changes to applications and IT infrastructure, including the change management process and the implementation of changes in the production systems using automated deployment mechanisms; • Computer Operations, including batch monitoring, back-up and recovery and incident management; • Management of cybersecurity, through understanding of Rabobank's approach to enhancing cybersecurity and evaluating the status of the implementation in certain critical areas; and • Assessed the Bank's evaluation on the risks identified on secured remote model that supports working from home due to COVID-19. We focused on the ITGCs to the extent relevant for the purpose of our audit of the financial statements. Most of these controls operated effectively. For certain controls, specifically relating to privileged access rights to a limited number of systems, remedial control actions were taken by management. Based on the testing of controls and additional testing of remedial control actions, we determined that we could place reliance on these controls for the purpose of our audit.

Report on the other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- About this report;
- Chairman's foreword;
- Management report;
- Corporate Governance;
- Appendices; and
- the other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

Based on the procedures performed as set out below, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements; and
- contains the information that is required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained in our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing our procedures, we comply with the requirements of Part 9 Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of such procedures was substantially less than the scope of those performed in our audit of the financial statements.

The Managing Board is responsible for the preparation of the other information, including the management report and the other information in accordance with Part 9 Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Our appointment

We were appointed as auditors of Coöperatieve Rabobank U.A. on 18 June 2015 by the Supervisory Board following the passing of a resolution by the members at the General Members Council held on 18 June 2015. This was our fifth year as auditors of Coöperatieve Rabobank U.A., with an annual renewal subject to approval by the General Members Council.

No prohibited non-audit services

To the best of our knowledge and belief, we have not provided prohibited non-audit services as referred to in Article 5(1) of the European Regulation on specific requirements regarding statutory audit of public interest entities.

Services rendered

The services, in addition to the audit, that we have provided to the Bank and its controlled entities, for the period to which our statutory audit relates, are disclosed in note 49 'cost of external independent auditor' to the financial statements.

Responsibilities for the financial statements and audit

Responsibilities of the Managing Board and the Supervisory Board for the financial statements

The Managing Board is responsible for:

- the preparation and fair presentation of the financial statements in accordance with EU-IFRS and with Part 9 of Book 2 of the Dutch Civil Code; and for
- such internal control as the Managing Board determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the Managing Board is responsible for assessing the Bank's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the Managing Board should prepare the financial statements using the going concern basis of accounting unless the Managing Board either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so. The Managing Board should disclose events and circumstances that may cast significant doubt on the Bank's ability to continue as a going concern in the financial statements.

The Supervisory Board is responsible for overseeing the Bank's financial reporting process.

Our responsibilities for the audit of the financial statements

Our responsibility is to plan and perform an audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high but not absolute level of assurance, which makes it possible that we may not detect all material misstatements. Misstatements may arise due to fraud or error. They are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

A more detailed description of our responsibilities is set out in the appendix to our report.

Amsterdam, 4 March 2021
PricewaterhouseCoopers Accountants N.V.

Original has been signed by R.E.H.M. van Adrichem RA

Appendix to our auditor's report on the financial statements 2020 of Coöperatieve Rabobank U.A.

In addition to what is included in our auditor's report, we have further set out in this appendix our responsibilities for the audit of the financial statements and explained what an audit involves.

The auditor's responsibilities for the audit of the financial statements

We have exercised professional judgement and have maintained professional scepticism throughout the audit in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit consisted, among other things, of the following:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the intentional override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Managing Board.
- Concluding on the appropriateness of the Managing Board's use of the going-concern basis of accounting, and based on the audit evidence obtained, concluding whether a material uncertainty exists related to events and/or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion.
  Our conclusions are based on the audit evidence obtained up to the date of our auditor's report and are made in the context of our opinion on the financial statements as a whole. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Considering our ultimate responsibility for the opinion on the Bank's financial statements, we are responsible for the direction, supervision and performance of the group audit. In this context, we have determined the nature and extent of the audit procedures for components of the Group to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole. Determining factors are the geographic structure of the Group, the significance and/or risk profile of group entities or activities, the accounting processes and controls, and the industry in which the Group operates. On this basis, we selected group entities for which an audit or review of financial information or specific balances was considered necessary.

We communicate with the Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

In this respect, we also issue an additional report to the audit committee in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

We provide the Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Supervisory Board, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

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Assurance report of the Independent auditor

To: The General Members Council and Supervisory Board of Coöperatieve Rabobank U.A.

Assurance report on the internal control over financial reporting

Our opinion

In our opinion Coöperatieve Rabobank U.A. maintained, in all material respects, effective internal control over financial reporting as of 31 December, 2020, in accordance with criteria established in the Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organisations of the Treadway Commission (COSO), as set out in the section 'Applicable criteria'.

What we have audited

The object of our assurance engagement concerns the internal control over financial reporting of Coöperatieve Rabobank U.A., Amsterdam (hereafter: Rabobank) as of 31 December 2020 (hereafter: the internal control over financial reporting).

For the purpose of this engagement, Rabobank's internal control over financial reporting is defined as the process designed, when working effectively, to provide reasonable assurance regarding the reliability of financial reporting for the preparation of the financial statements for external purposes in accordance with generally accepted accounting principles.

The basis for our opinion

We conducted our assurance engagement in accordance with Dutch law, including Dutch Standard 3000A 'Assurance engagements other than audits or reviews of historical financial information (attestation engagements)' ('Assuranceopdrachten anders dan opdrachten tot controle of beoordeling van historische financiële informatie (attest-opdrachten)'). This assurance engagement is aimed to provide reasonable assurance. Our responsibilities under this standard are further described in the section 'Our responsibilities for the assurance engagement' of our report.

We believe that the assurance information we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Independence and quality control

We are independent of Rabobank in accordance with the Code of Ethics for Professional Accountants, a regulation with respect to independence ('Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten' - ViO) and other relevant independence requirements in the Netherlands. Furthermore, we have complied with the Code of Ethics for Professional Accountants, a regulation with respect to rules of professional conduct ('Verordening gedrags- en beroepsregels accountants' - VGBA).

We apply the detailed rules for quality systems ('Nadere voorschriften kwaliteitssystemen' - NVKS) and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and other applicable legal and regulatory requirements.

Applicable criteria

For the purpose of this engagement Rabobank's internal control over financial reporting is the process designed, when working effective, to provide reasonable assurance regarding the reliability of financial reporting for the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Rabobank's internal control over financial reporting is designed in accordance with the criteria established in the Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organisations of the Treadway Commission (COSO), (hereafter: COSO criteria) and includes those policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with a generally acceptable reporting framework, and that receipts and expenditures are being made only in accordance with authorisations of management; and
- provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of assets that could have a material effect on the consolidated financial statements.

Inherent limitations

Because of its inherent limitations, internal control over financial reporting may not prevent or detect and correct all misstatements. Also, the projection of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

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Responsibilities for the internal control over financial reporting and the assurance engagement

Responsibilities of the Managing Board

The Managing Board of Rabobank is responsible for implementing, maintaining and assessing effective internal control over financial reporting, in accordance with the COSO criteria as further set out in the section 'Applicable criteria' of our report. The Managing Board is also responsible for its conclusion as documented in note 55 'Management Report on Internal Control over Financial Reporting', including the identification of the intended users and the COSO criteria being applicable for the purposes of the intended users.

Our responsibilities for the assurance engagement

Our responsibility is to plan and perform the assurance engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our opinion aims to provide reasonable assurance that Rabobank maintained, in all material respects, effective internal control over financial reporting in accordance with the COSO criteria, as set out in the section 'Applicable criteria'. Reasonable assurance is a high but not absolute level of assurance, which makes it possible that we may not detect all weaknesses in the internal control over financial reporting.

Procedures performed

An assurance engagement includes, amongst others, examining appropriate evidence on a test basis. We have exercised professional judgement and have maintained professional scepticism throughout the assurance engagement, in accordance with the Dutch Standard 3000A, ethical requirements and independence requirements.

Our main procedures included, among others:

- identifying and assessing the risks that the conclusion of management on internal control over financial reporting is not fairly presented and that the internal control over financial reporting is not effectively maintained by Rabobank, whether due to fraud or error, designing and performing assurance procedures responsive to those risks, and obtaining evidence that is sufficient and appropriate to provide a basis for our opinion;
- gaining knowledge about Rabobank's internal control over financial reporting, including the effectiveness of controls in accordance with the COSO criteria;
- based on this knowledge, assessing the risks that the internal control statement contains material misstatements;
- responding to the assessed risks, including the development of an overall approach, and determining the nature, timing and extent of further procedures;

- performing further procedures linked to the identified risks, using a combination of inspection, observation, confirmation, recalculation, re-run, analytical procedures and making inquiries; such further procedures involve substantive procedures, including obtaining corroborating information from sources independent of the entity and, depending on the nature of the object, testing the actual effectiveness of the control measures; and
- evaluating the adequacy of the assurance information.

Amsterdam, 4 March 2021
PricewaterhouseCoopers Accountants N.V.

Original has been signed by R.E.H.M. van Adrichem RA

Assurance report of the independent auditor

To: the General Members Council and Supervisory Board of Coöperatieve Rabobank U.A.

Assurance report on the non-financial information 2020

Our conclusion

Based on our procedures performed nothing has come to our attention that causes us to believe that the non-financial information included in Annual Report 2020 of Coöperatieve Rabobank U.A. (hereafter: 'the Annual Report') does not present, in all material respects, a reliable and adequate view of:

- the policy and business operations with regard to corporate social responsibility; and
- the thereto related events and achievements for the year ended 31 December 2020 in accordance with the Sustainability Reporting Standards of the Global Reporting Initiative (GRI) and the internally applied reporting criteria as included in the section 'reporting criteria'.

What we have reviewed

We have reviewed the non-financial information included in the Annual Report for the year ended 31 December 2020, as included in the following sections in the Annual Report (hereafter: 'the non-financial information'):

- Rabobank at a Glance
- Excellent Customer Focus
- Meaningful Cooperative
- Empowered Employees
- Rock-Solid Bank
- Appendices
  - Appendix 1: About this Report
  - Appendix 2: Methodology & Definitions of Non-Financial Key Figures

The non-financial information comprises a representation of the policy and business operations of Coöperatieve Rabobank U.A. and its subsidiaries, Utrecht, The Netherlands, (hereafter: 'Rabobank') with regard to corporate social responsibility and the thereto related business operations, events and achievements for the year ended 31 December 2020.

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The basis for our conclusion

We have performed our review in accordance with Dutch law, which includes the Dutch Standard 3810N 'Assuranceopdrachten inzake maatschappelijke verslagen' ('Assurance engagements on corporate social responsibility reports'). This review is aimed at obtaining a limited level of assurance. Our responsibilities under this standard are further described in the section 'Our responsibilities for the review of the non-financial information' of this assurance report.

We believe that the assurance evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Independence and quality control

We are independent of Rabobank in accordance with the 'Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten' (ViO – Code of Ethics for Professional Accountants, a regulation with respect to independence) and other for the engagement relevant independence requirements in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA – Dutch Code of Ethics).

We apply the 'Nadere voorschriften kwaliteitssystemen' (NVKS – Regulations for quality systems) and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and other relevant legal and regulatory requirements.

Reporting criteria

The non-financial information needs to be read and understood in conjunction with the reporting criteria. The Managing Board is solely responsible for selecting and applying these reporting criteria, taking into account applicable law and regulations related to reporting.

The reporting criteria used for the preparation of the non-financial information are the Sustainability Reporting Standards of the Global Reporting Initiative (GRI) and the applied reporting criteria developed by the bank, as disclosed in Appendix 1: 'About this report' and Appendix 2: 'Methodology & Definitions of Non-Financial Key Figures' of the Annual Report. The absence of an established practice on which to draw, to evaluate and measure non-financial information allows for different, but acceptable, measurement techniques and can affect comparability between entities and over time.

Limitations to the scope of our review

The non-financial information includes prospective information such as ambitions, strategy, plans, expectations and estimates and risk assessments. Inherent to prospective information, the actual future results are uncertain. We do not provide any assurance on the assumptions and achievability of prospective information in the non-financial information.

The references to external sources or websites in the non-financial information are not part of the non-financial information reviewed by us. We do not provide assurance over information outside of this Annual Report.

Responsibilities for the non-financial information and the review

Responsibilities of the Managing Board and Supervisory Board

The Managing Board of Rabobank is responsible for the preparation of reliable and adequate non-financial information in accordance with the reporting criteria as included in section 'reporting criteria', including the identification of stakeholders and the definition of material matters.
The choices made by the Managing Board regarding the scope of the non-financial information and the reporting policy are summarized in Appendix 1: 'About this report' and Appendix 2: 'Methodology & Definitions of Non-Financial Key Figures' of the Annual Report. The Managing Board is responsible for determining that the applicable reporting criteria are acceptable in the circumstances.

The Managing Board is also responsible for such internal control as management determines is necessary to enable the preparation of the non-financial information that is free from material misstatement, whether due to fraud or error.

The Supervisory Board is responsible for overseeing Rabobank's reporting process on the non-financial information.

Our responsibilities for the review of the non-financial information

Our responsibility is to plan and perform the review engagement in a manner that allows us to obtain sufficient and appropriate assurance evidence to provide a basis for our conclusion.

Procedures performed to obtain a limited level of assurance are aimed to determine the plausibility of information and vary in nature and timing from, and are less in extent, than for a reasonable assurance engagement. The level of assurance obtained in review engagements is therefore substantially less than the assurance obtained in audit engagements.

Procedures performed

We have exercised professional judgement and have maintained professional scepticism throughout the review, in accordance with the Dutch Standard 3810N, ethical requirements and independence requirements.

Our procedures included amongst others:

- Performing an analysis of the external environment and obtaining insight into relevant social themes and issues and the characteristics of Rabobank.
- Evaluating the appropriateness of the reporting criteria used, their consistent application and related disclosures in the non-financial information. This includes the evaluation of the results of the stakeholders' dialogue and the reasonableness of estimates made by the Managing Board.
- Obtaining an understanding of the reporting processes for the non-financial information, including obtaining a general understanding of internal control relevant to our review.
- Obtaining an understanding of the procedures performed by the internal audit department.
- Identifying areas of the non-financial information with a higher risk of misleading or unbalanced information or material misstatement, whether due to fraud or errors. Designing and performing further assurance procedures aimed at determining the plausibility of the non-financial information responsive to this risk analysis. These procedures consisted amongst others of:
    - Interviewing management and relevant staff at corporate level responsible for the sustainability strategy, policy and results.
    - Interviewing relevant staff responsible for providing the information for, carrying out internal control procedures on, and consolidating the data in the Annual Report.

- Obtaining assurance evidence that the non-financial information reconciles with underlying records of Rabobank.
  - Reviewing, on a limited test basis, relevant internal and external documentation.
  - Performing an analytical review of the data and trends.
- Evaluating the consistency of the non-financial information with the information in the Annual Report, which is not included in the scope of our review.
- Evaluating the presentation, structure and content of the non-financial information.
- To consider whether the non-financial information as a whole, including the disclosures, reflects the purpose of the reporting criteria used.

We communicate with the Supervisory Board on the planned scope and timing of the engagement and on the significant findings that result from our engagement.

Amsterdam, 4 March 2021
PricewaterhouseCoopers Accountants N.V.

Original has been signed by R.E.H.M. van Adrichem RA