

# *Annual Report 2021*





# About this Report

## Our Reporting Approach in 2021

In preparing this Annual Report a change was made in the framework we used for our Management Report. As of this year, we will report using the framework of Integrated <IR> Reporting. This report and the financial statements have been prepared in accordance with reporting standards and guidelines in order to ensure the integrity of their content, please refer to [Appendix 1](#) for more information.

The statements and report refer to the reporting period January 1, 2021 to December 31, 2021 and were first published on March 10, 2022 on our corporate website. The Annual Report takes an integrated approach that highlights our contribution to society, stakeholders, and our clients specifically, 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](#).

On February 10, 2022 we have published our [Impact Report](#), a report that explains who we are, how we facilitate transitions, and how we strive for positive impact on society. This year, it also gave a preview of "Our Road to Paris" approach, to Paris Alignment. The Impact Report accompanies the publication of our annual results. As a cooperative bank we strive to be transparent not only about our financial but also our societal and ecological impact. Our Impact Report focuses on transitions, whereas our management report follows the structure of our strategic pillars and the <IR> framework.

Our external auditor has not performed an audit on the Impact Report.

## Materiality

The materiality matrix illustrates which topics required the most attention in our materiality analysis due to their significant impact on Rabobank (organizational materiality) and on society, specifically in the transitions we help to facilitate (environmental and social materiality). We explain the process by which we determine materiality and the boundaries of the topics in [Appendix 1](#).

## Published by

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## Cover photo

*The cover photo was taken at the Upcycle Workshop of [Stichting Stunt](#), a partner of Rabobank. Stichting Stunt employs people to enter the labor market which contributes to creating a more diverse and inclusive society.*

## Disclaimer

The annual report presented on our website is derived from the official version of Rabobank's Annual Report 2021. The European Single Electronic Filing format (the ESEF reporting package) is the official version. The ESEF reporting package is

available on our website. In case of any discrepancies between the website, the PDF version and the ESEF reporting package, the latter prevails. The auditor's report and assurance report of the independent auditor included in the PDF version on our website relate only to the ESEF reporting package.



## Management Report

Overview of Rabobank's strategy, developments, financial results, corporate social responsibility, and sustainability.

[Read more](#)

7

## Corporate Governance

Retrospective on 2021 by the Supervisory Board.  
Explanation of our governance structure.

[Read more](#)

96



## Consolidated Financial Statements

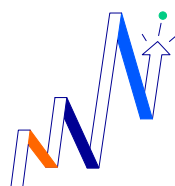
The balance sheet and the profit and loss statement for the entire Rabobank Group, with notes.

[Read more](#)

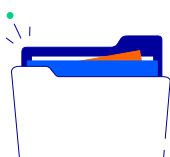
133

## Company Financial Statements

The balance sheet and the profit and loss statement of Rabobank, with notes.

[Read more](#)

231



## Other Information

Statutory Provisions and Assurance Reports

[Read more](#)

249

# Foreword



## Backed by strong economic rebound, Rabobank posts net result of EUR 3,692 million in 2021.

The economic rebound relative to 2020 created a tailwind for Rabobank. Although Covid-19 continued to impact society in 2021, government support measures cushioned its hold on the economy, which grew significantly. Improved market conditions led to a net release of loan impairment charges and positive asset revaluations. Rabobank's business performance was sound, as reflected by the resilient and growing Food & Agri portfolio and dominant position in the Dutch residential mortgage market. In this environment, Rabobank posted a net result of EUR 3,692 million.

Last year was unquestionably marked by the unpredictable character of the Covid-19 pandemic, including the emergence of new variants of the virus and the resulting restrictive measures. Worldwide supply chain challenges, including labor shortages, and increasing inflation were also part of the economic uncertainty. However, despite these challenges, we saw economies worldwide recover quickly and better than expected. We also see this recovery reflected in the performance of the majority of our clients and the bank. 2021 was also marked by severe climate-related events and the IPCC report reiterating the urgency of combating climate change. In addition to tackling today's challenges, the Food & Agri sector

also has a major role to play in solving the systemic puzzles that lie ahead. In these transitions Rabobank aspires to be a partner. Together with our clients and other stakeholders, we are committed to supporting a sustainable and profitable global food system, as we emphasized at last year's UN Food Systems Summit. To back this up, we launched the Rabo Carbon Bank which has led to the first transaction of carbon reduction units from smallholder farmers purchased by a large corporate.

We also made progress in other strategic areas. With Rabo SmartBuilds we announced our target of building 12,000 modular, climate-neutral, affordable rental homes over the next ten years in the Netherlands. With 20 municipalities we are exploring concrete opportunities and we expect to start building this year. In 2021 we also scaled up multiple fintech innovations such as SurePay and TreasurUp. SurePay, an original Rabobank "Moonshot", that makes online payments more personal and safer with the 'IBAN Name Check', is proving its scalability with business expansions into the UK and France. Also, more than 420,000 people engaged with us via our "Talking About Money" campaign, helping them to get insights on money matters. Our members, again, were fully engaged with the bank, as 500,000 of them voted for their favorite local club or association, and made possible that we distributed EUR 13 million to 30,000 clubs and associations this year.

We continued to optimize our operating model in our global franchise and our Dutch banking infrastructure in 2021. Our employees showed dedication and resilience in the face of the ongoing effects of the Covid-19 pandemic, and guided our clients in the challenges they faced. I would like to express my gratitude for their commitment in yet another extraordinary year.

## Financial Performance

Rabobank's net profit in 2021 was EUR 3,692 million, compared to EUR 1,096 million in 2020. Sound business performance as well as improved market conditions contributed to the bank's strong 2021 financial results, whereas the 2020 results were significantly impacted by the effects of Covid-19. Due to the economic recovery, the anticipated deterioration in credit quality of Rabobank's business loan portfolio did not materialize. Instead Rabobank recognized a net release of loan impairment charges on financial assets of EUR 474 million in 2021 (minus 11bps of the average loan portfolio), which is EUR 2,387 million lower than in 2020.



The total outstanding exposure to vulnerable sectors further reduced to EUR 9.6 billion (which is 2.3% of the total loan portfolio compared to EUR 15.3 billion (3.7%) in 2020), reflecting Rabobank's sound asset quality.

Rabobank's total income increased by 13%. This increase was supported by positive revaluations of the bank's equity participations as well as good performance of Rabo Investments' portfolio. In addition, the participation in the TLTRO III programme resulted in a benefit of EUR 334 million, increasing the net interest income by 4%. Corrected for TLTRO, net interest income would have remained relatively stable as the bank continued to see the low interest rate environment putting pressure on deposit margins in its domestic operations. Largely driven by business growth, net interest income in Wholesale and Rural improved by 11%. Net fee and commission income strongly rebounded compared to 2020 and was EUR 228 million (or 13%) higher. This increase was the result of good performance of the event driven businesses and higher fees related to payment services and investments.

Expenses were 8% higher. This includes a provision Rabobank has made of EUR 333 million to compensate part of its clients with specific consumer credit products with a variable interest rate. In addition, in response to the severity of the instruction received from DNB, Rabobank will enhance its KYC program in order to remedy the deficiencies within the timeline set by DNB. This requires additional efforts, including resolving backlog files in client due diligence and transaction monitoring, for which a provision of EUR 249 million has been included in Rabobank's 2021 financial results.

The loan portfolio increased by EUR 7.8 billion to EUR 417.2 billion, also driven by FX effects. The Food & Agri portfolio increased by 8% to EUR 102.9 billion. Furthermore, Rabobank remained market leader in the Dutch residential mortgage market with a 21% market share of new production. Deposits from retail and wholesale customers increased by EUR 11 billion, while Assets under Management increased by EUR 9.6 billion to EUR 62.5 billion.

The increase in income more than offset the increase in expenses. This resulted in an improved cost/income ratio of 63.8% (2020: 65.8%). Also the Return on Equity improved to 8.8% (2020: 2.7%). Supported by the healthy 2021 financial results Rabobank's capital position remains strong. With a CET1 ratio of 17.4% the bank comfortably meets its capital requirements and its ambition level of >14%.

## Update KYC

In our role as gatekeeper to the financial sector we feel an obligation to protect our customers, members and society from financial crime. It is our strong belief that in a better world there is no place for criminal money obtained from activities such as child labor or the trafficking of drugs, humans or weapons.

From 2016-2021 Rabobank has invested a total amount of EUR 1,600 million in its KYC organization. And the number of employees has grown from around 1,700 in 2016 to currently 4,900 employees. KYC has been and is still one of Rabobank's top priorities.

On 15 November 2021 Rabobank announced that a draft instruction (voorgenomen aanwijzing) was received from the Dutch Central Bank (DNB) on 12 October 2021. Subsequently, Rabobank received the instruction (aanwijzing) on 23 December 2021. In this instruction, DNB determines that Rabobank does not meet the requirements of the Dutch Anti-Money Laundering and Anti-Terrorist Financing Act (Wet ter voorkoming van witwassen en financiering van terrorisme, Wwft) and orders Rabobank to remedy deficiencies regarding its Dutch retail division's compliance with the Wwft by 15 December 2023 at the latest.

Rabobank also announced on 15 November 2021 that DNB informed the bank that a separate punitive enforcement procedure would commence, the outcome of which is not yet known. While we have made improvements, we acknowledge that we have not yet remedied the deficiencies in order to adequately meet the requirements of the Wwft. We are set to continue and increase our efforts to build a robust and future-proof Know Your Customer (KYC) organization. To reinforce this, we will create a new position within the Managing Board with a specific focus on KYC compliance.

## Outlook

Our clients remain confronted by disruptions to supply chains, rising energy prices, and increasing inflation, while also working to meet our shared climate goals. Geopolitical unrest is undiminished and trade wars are reshaping the global economy. These impactful developments have not halted. Additionally, Covid-19 remains among us, and each new wave or variant of the virus – and the corresponding governmental, restrictive measures – affects our clients and the credit quality of our loan portfolio. We also have to assume further impact from the persisting low interest rate environment. Overall, we remain cautious with respect to the operating environment in 2022 and the years to come.

In this operating environment, our focus as a cooperative bank remains more than ever on the transitions in food, climate and energy, and working towards a more inclusive society. As such, we recover and regenerate – we are “Growing a better world together” – for both current and future generations. We look forward to a cooperative future!

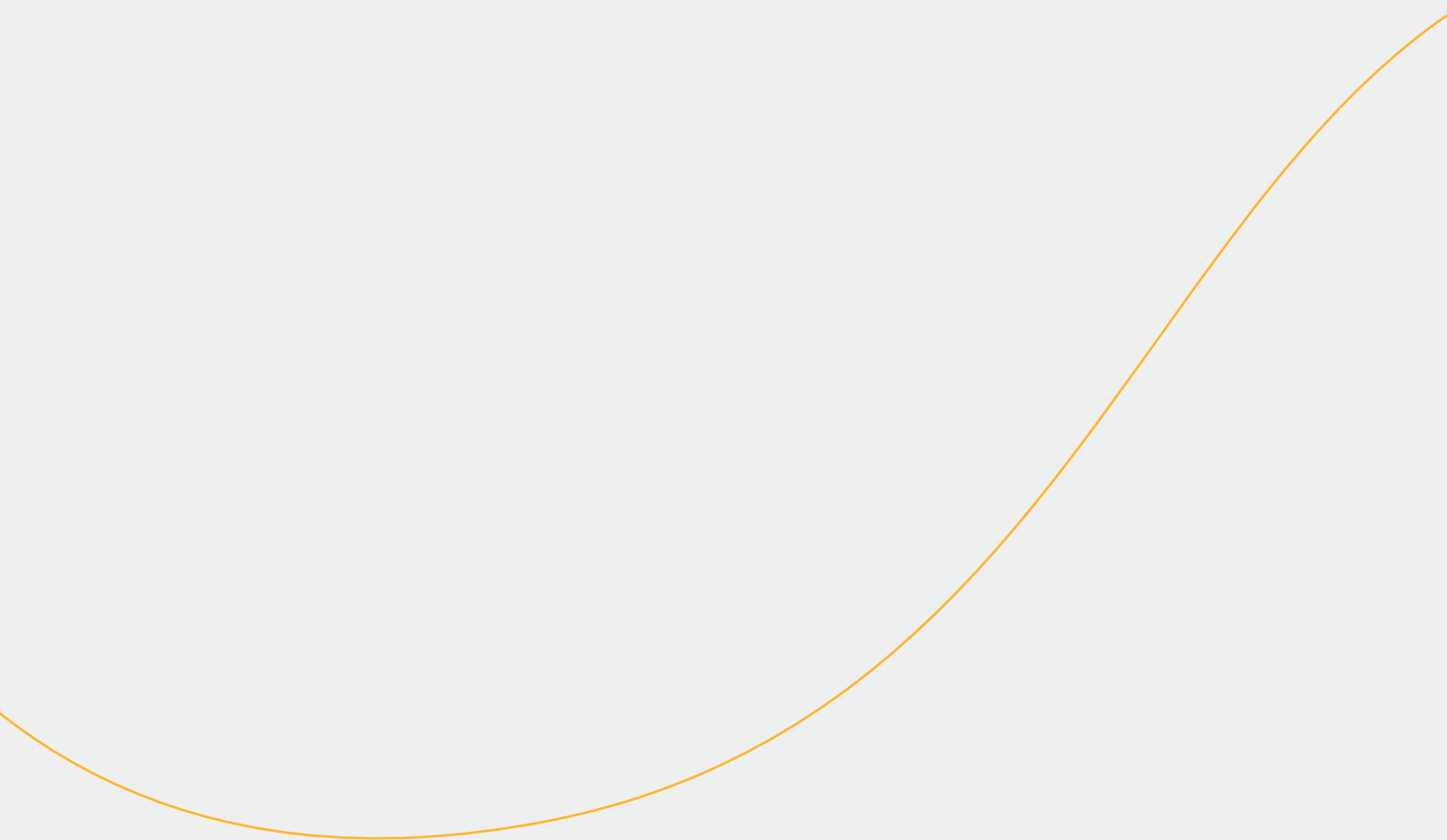
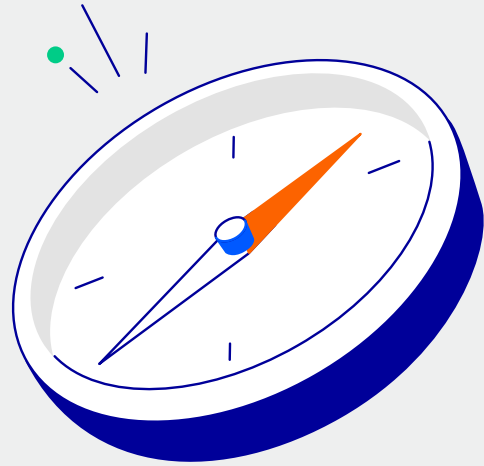
### Update Ukraine

We are closely monitoring the situation with regard to the Russia-Ukraine conflict. It is to be deeply regretted that, after decades, the European continent is once again faced with such violence, the heart-breaking situations and instability that this brings. Like all other European banks, Rabobank implements sanctions, focuses on continuity in its operations and supports impacted clients to the best of its abilities. There will be impact on global economy, Dutch economy, our clients and our financial position. The severity of the impact is currently unsure.

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



# *Management Report*



# Contents

|   |    |
|---|----|
| Key Figures   | 10 |
| About Us  | 11 |
| <i>Our Fundamentals</i>                               | 12 |
| <i>Our Strategy</i>                                   | 14 |
| Creating Value  | 16 |
| <i>Our Value Creation Model</i>                       | 20 |
| Key Trends and Uncertainties                          | 23 |
| Performance on Our Strategy                           | 25 |
| Our Financial Performance                             | 54 |
| <i>Rabobank</i>                                       | 54 |
| Financial Results of Rabobank                         | 55 |
| Notes to the Financial Results of Rabobank            | 55 |
| Balance Sheet Developments                            | 57 |
| Capital Developments                                  | 59 |
| <i>Maintaining a Strong Capital Position</i>          | 59 |
| Risk Management                                       | 61 |
| Climate-related Financial Disclosures and EU Taxonomy | 76 |
| Segment Reporting                                     | 83 |
| <i>Domestic Retail Banking</i>                        | 84 |
| Highlights  | 84 |
| Financial Results                                     | 84 |
| Notes to the Financial Results                        | 84 |
| <i>Wholesale &amp; Rural</i>                          | 87 |
| Highlights  | 87 |
| Financial Results                                     | 87 |
| Notes to the Financial Results                        | 87 |
| <i>Leasing</i>  | 89 |
| Highlights  | 89 |
| Financial Results                                     | 89 |
| Notes to the Financial Results                        | 89 |
| <i>Property Development</i>                           | 91 |
| Highlights  | 91 |
| Financial Results                                     | 91 |
| Notes to the Financial Results                        | 91 |
| Outlook   | 93 |
| Managing Board Responsibility Statement               | 95 |

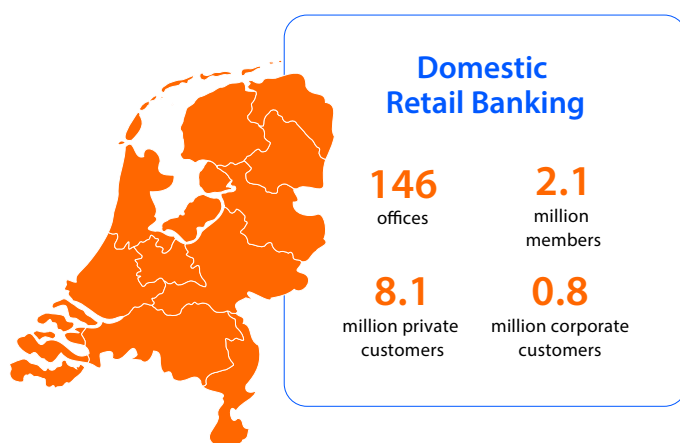


# Rabobank at a Glance

Mission } *Growing a better world together*

## The Netherlands

84 Local Rabobanks



## What We Offer in the Netherlands

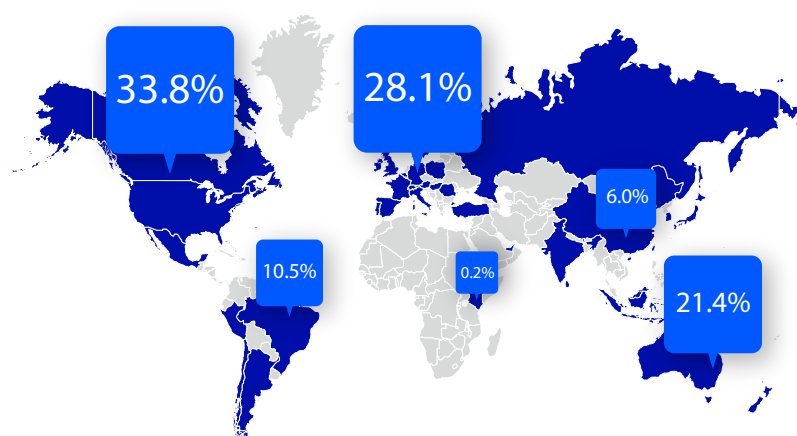
(amounts in EUR billions)

|       |  |
|-------|--|
| 192.5 | Dutch Private Mortgages                              |
| 35.7  | Lending to Food & Agri <sup>1</sup>                  |
| 74.5  | Lending to Trade, Industry and Services <sup>1</sup> |
| 1.7   | Billion point-of-sale terminal transactions          |
| 144.1 | Savings  |
| 62.5  | Assets Under Management                              |
| 1.4   | Leasing  |
| 6,376 | BPD transactions                                     |

## International

36 Countries

Geographical split of our international private sector loan portfolio



## What We Offer Internationally

(amounts in EUR billions)

|      |   |
|------|---|
| 67.2 | Private sector lending to Food & Agri                   |
| 34.7 | Private sector lending to Trade, Industry, and Services |
| 33.1 | Leasing   |

<sup>1</sup> W&R the Netherlands & domestic DLL portfolio included

# Key Figures

| Amounts in millions of euros                              | 12-31-2021 | 12-31-2020 | 12-31-2019          | 12-31-2018 | 12-31-2017 |
|---|------------|------------|---------------------|------------|------------|
| <i>Financial Key Figures</i>                              |            |            |                     |            |            |
| Common Equity Tier 1 Ratio                                | 17.4%      | 16.8%      | 16.3%               | 16.0%      | 15.5%      |
| Total Capital Ratio                                       | 22.6%      | 24.2%      | 25.2%               | 26.6%      | 26.2%      |
| Leverage Ratio  | 7.3%       | 7.0%       | 6.3%                | 6.4%       | 6.0%       |
| Risk-weighted Assets                                      | 211,855    | 205,773    | 205,797             | 200,531    | 198,269    |
| Wholesale Funding   | 121,638    | 131,361    | 151,742             | 153,223    | 160,407    |
| Cost/Income Ratio Including Regulatory Levies             | 63.8%      | 65.8%      | 63.3%               | 65.9%      | 71.3%      |
| Underlying Cost/Income Ratio Including Regulatory Levies  | 60.4%      | 64.5%      | 63.0%               | 63.9%      | 65.3%      |
| Return on Equity  | 8.8%       | 2.7%       | 5.3%                | 7.3%       | 6.7%       |
| Income  | 12,169     | 10,782     | 11,756              | 12,020     | 12,001     |
| Operating Expenses  | 7,044      | 6,542      | 6,956               | 7,446      | 8,054      |
| Impairment Charges on Financial Assets                    | (474)      | 1,913      | 975                 | 190        | (190)      |
| Net Profit  | 3,692      | 1,096      | 2,203               | 3,004      | 2,674      |
| Total Assets  | 639,575    | 632,258    | 590,598             | 590,437    | 602,991    |
| Private Sector Loan Portfolio                             | 417,158    | 409,380    | 417,914             | 416,025    | 410,964    |
| Deposits from Customers                                   | 372,031    | 361,028    | 338,536             | 337,410    | 340,682    |
| Liquidity Coverage Ratio                                  | 184%       | 193%       | 132%                | 135%       | 123%       |
| Loan-to-deposit Ratio                                     | 1.13       | 1.12       | 1.22                | 1.22       | 1.21       |
| Non-performing Loans                                      | 9,231      | 13,882     | 15,705              | 18,436     | 18,315     |
| <i>Non-Financial Key Figures<sup>1</sup></i>              |            |            |                     |            |            |
| Online Active Private Customers in the Netherlands        | 67.0%      | 65.6%      | 64.0%               | 61.8%      | -          |
| Online Active Corporate Customers in the Netherlands      | 82.4%      | 82.2%      | 81.5%               | 80.8%      | -          |
| Availability of Internet Banking                          | 99.8%      | 99.8%      | 99.7%               | 99.9%      | 99.9%      |
| Availability of Mobile Banking                            | 99.8%      | 99.8%      | 99.6%               | 99.9%      | 99.9%      |
| Availability of iDEAL                                     | 99.8%      | 99.9%      | 99.7%               | 99.8%      | -          |
| Total Sustainable Financing                               | 63,117     | 49,813     | 44,583 <sup>2</sup> | 46,607     | 17,377     |
| RepTrak Pulse Score                                       | 70.4       | 72.6       | 71.5                | 70.8       | 69.5       |
| Member Engagement Score                                   | 44%        | 52%        | 49%                 | 45%        | -          |
| Community Funds and Donations                             | 27.6       | 42.5       | 45.4                | 48.8       | 45.5       |
| Employee Engagement Scan                                  | 72         | 69         | 64                  | 61         | -          |
| Employee Engagement Score <sup>3</sup>                    | 83         | -          | -                   | -          | -          |
| Diversity: Women Employed in the Netherlands              | 49%        | 49%        | 51%                 | 52%        | -          |
| Absenteeism in the Netherlands                            | 3.9%       | 3.4%       | 4.3%                | 4.3%       | 4.0%       |
| <i>Ratings</i>  |            |            |                     |            |            |
| Standard & Poor's   | A+         | A+         | A+                  | A+         | A+         |
| Moody's   | Aa2        | Aa3        | Aa3                 | Aa3        | Aa2        |
| Fitch   | A+         | A+         | AA-                 | AA-        | AA-        |
| DBRS  | AA low     | AA         | AA                  | AA         | AA         |
| Sustainalytics ESG Risk Rating Category Diversified Banks | 2          | 1          | 1                   | 1          | -          |

1 For more details about the methodology please refer to Appendix 2: [Methodology and Definitions of Non-Financial Key Figures](#)

2 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 EUR 1,417 million.

3 We are migrating to an improved way of measuring employee engagement (score). For transparency purposes we also report the employee engagement scan results during the transition.



# About Us

## Our History

Rabobank grew out of small credit unions founded by farmers and horticulturists dating back to the end of the 19th century. These farmers wanted to modernize in order to meet increasing demands, but had limited or no access to credit. They solved this problem by founding credit cooperatives. The farmers were not stockholders but members working together on structural solutions to the challenges they faced, while giving back to society. The success of this cooperative model attracted other citizens who brought their savings to the local "banks."

As these cooperatives worked locally, they needed a central bank to support them in various areas. This is why they founded what is now the cooperative Rabobank. Today we work with more than 43,000 employees (FTE) in 37 countries. Our international focus is on the Food and Agri sector. In the Netherlands, we also offer private customers and commercial clients a wide variety of financial products and services. Rabobank Group also includes BPD, Obvion, and DLL, which provide, respectively, real estate, mortgage, and leasing solutions.

### *Rabobank plays an active role in society*

Given the cooperative's strong local presence, Rabobank plays an active role in society. Local Rabobanks continue to help build strong, livable communities in municipalities and regions. And internationally, Rabobank helps rural clients continue to innovate and become more sustainable. This is how we turn our mission into reality: Growing a better world together.

## Rabo Foundation

We allocate part of our net profit through the Rabo Foundation. The Rabo Foundation was established in 1974 as Rabobank's social fund. As an independent foundation its mission is to invest in people's self-reliance. In the Netherlands, the Rabo Foundation works with local Rabobanks, to focus on social entrepreneurship, employability and financial self-reliance. Internationally, it supports smallholder farmers and their cooperatives.

## Our Cooperative Governance

We are a cooperative with members instead of shareholders. Customers can demonstrate their involvement in the bank

by becoming members. More than two million customers are currently members of Rabobank. They approve the bank's course.

Since the founding of the first credit cooperative in 1895, Rabobank's governance has been regularly adapted to reflect social developments, changes in the banking sector, and strategic considerations. On January 1, 2016, all Dutch local cooperative Rabobanks and the cooperative central organization were merged into one cooperative with one financial statement and one banking license: Coöperatieve Rabobank U.A. (Rabobank)<sup>1</sup>.

This fundamental governance change was intended to strengthen both the cooperative and the bank, as well as the unity between the two. The disciplining member say and influence are firmly anchored in the governance locally, regionally as well as centrally. The tasks and responsibilities of the governance bodies are formalized in the Articles of Association and regulations. These are discussed in general terms in the chapter [Corporate Governance](#).

## Our Cooperative Mindset

We believe that we can make each other better and create more opportunities through collaboration. This is what the cooperative mindset is all about. We can only tackle the urgent societal, economic and ecological challenges in food, climate and energy, and inclusivity if we work together.

<sup>1</sup> The abbreviation "U.A." stands for the "uitgesloten aansprakelijkheid" ("excluded liability") of the members.

## Our Fundamentals

Our mission, vision, values, and behaviors, strategy and our distinctive and cooperative way of stakeholder engagement are the fundamentals of the way we operate and create value.

### Mission

Our mission is:

| *Growing a better world together*

This is what we stand for and what we aim to achieve by being client-driven, action-oriented, purposeful, courageous, professional, and considerate, as well as by trying to bring out the best in each other while continually learning.

### Vision

We are committed to making a difference as a cooperative, client-driven, all-finance bank. We want to make a substantial contribution to feeding the world sustainably and to fostering well-being and prosperity in the communities in which we are active. We aim to be a responsible bank, championing issues that have a major impact on society, the environment, and on our clients. This is why we actively engage in facilitating transitions which matter to us and stakeholders now and in the future:

| *Food, Climate and Energy, and a More Inclusive Society*

### Our Values and Behaviors

Defining our cooperative mindset and creating a context in which people can trust us as an organization means defining our shared values and behaviors in a way that others can rely on, like a compass. Our [Rabobank Compass](#) defines our values and behaviors which we describe below.

- Client-driven and action-oriented: 'I go the extra mile for my clients.'
- Purposeful and courageous: 'I dare to make a difference in the world.'
- Professional and considerate: 'I am doing the right thing exceptionally well.'
- Bring out the best in each other and keep learning: 'I make you better.'

We have an Ethics Committee that deals with ethical dilemmas and issues recommendations on how to manage them.

### Strategy

Our Banking4Food and Banking for the Netherlands strategy make our contribution to these transitions possible in practice. Our strategy derives from our century-long experience in food, agriculture and cooperative banking. We use our resources to achieve our mission and our commercial objectives. We aim to advance the urgent transitions (Food, Climate and Energy and a more Inclusive Society). We create value through our strategy and through the products, services and innovations we offer clients in Retail Banking, Private Banking, Wholesale Banking, Rural Banking, Vendor Finance, Leasing, and Property Development.

We use our strategic pillars: Excellent Customer Focus, Meaningful Cooperative, Rock-Solid Bank, and Empowered Employees to create focus, prioritize, and measure our success on output in order to create value. Please refer to [Our Strategy](#) for more information.

*Food Transition: Enough affordable, nutritious food for all, within planetary boundaries*

Moving towards a more sustainable way to feed the growing world population (also known as the Food Transition) is a crucial transition, one that also encompasses many of the UN Sustainable Development Goals (SDGs). As a cooperative, that works with clients and partners all over the world and throughout the entire food system, Rabobank is in the right place. Leveraging our financial expertise, sector knowledge and global F&A networks, we work together on sustainable food solutions. This includes offering new financial tools, like sustainability-linked loans and blended finance solutions.

Our global team of RaboResearch food and agribusiness analysts provides sector-specific insights to help clients improve their businesses. We work with trusted partners — from business, government, civil society, and throughout the value chain — to jointly transition to a food system that provides enough affordable, nutritious food for all, within planetary boundaries.



### *Climate and Energy Transition: Climate Change and the Transition Toward More Sustainable Energy Supply and Consumption*

Climate change is one of the biggest threats to the planet and to the way we live. Therefore, the energy transition is a fundamental transition that is needed in most sectors, including the F&A sector. Moreover, it is an instrument with great potential to create a more inclusive society if the benefits of the transition are distributed equitably. To tackle this shared challenge we as society at large need to change how we produce and consume energy. We must also advance to a circular economy, meaning more sustainable use – and regeneration – of resources.

We are working with clients and partners, to speed up these essential transitions: from facilitating sustainable entrepreneurship with green loans, impact loans, and innovation loans, to advising companies that want to switch to renewable energy sources; from accelerating carbon farming to advising customers on energy reduction in their homes and businesses. With our industry knowledge and financial tools, we support cooperative solutions that are good for people, for businesses and for the planet.

### *Transition to a More Inclusive Society*

Everyone deserves a fair and equal chance to pursue their ambitions – whether that means finding a comfortable home, performing meaningful work, or investing in a business. As a cooperative bank that finances farmers around the world and retail customers in the Netherlands, we promote financial well-being and security for our customers and their communities. That includes removing barriers to financial products and services, and increasing access to the labor market and affordable, sustainable housing. Through these efforts, we aim for more diversity and inclusion in society at large, because we believe that is key in our mission.

Please refer to [Excellent Customer Focus](#) to see our performance in relation to our clients, and [Meaningful Cooperative](#), where we describe our impact on society in these transitions.

### **It's all connected!**

All these transitions and themes are intertwined. For example, climate change can also drive more people into poverty and reduces inclusion. In the Netherlands there are more than 550,000 households where people are living in energy poverty, meaning that their energy bills are relatively high and they either have no money

to invest in sustainable solutions that would reduce monthly costs, and/or they are not allowed to because of a rental agreement. This creates inequality and therefore negatively impacts the transition to a more inclusive society.

Furthermore, the climate and energy transition also enables the Food and Agriculture sector to reduce their emissions and invest in more sustainable farming practices. In turn this poses challenges for their current business model.

We believe we can have a positive impact if we focus on all three transitions of Food, Climate and Energy and Inclusive Society. By defining these transitions in this way we are not seeking to oversimplify the complexity of our societal, economic and ecological context. Rather we are looking for ways to facilitate sustainable business models and to focus on adding value in a systemic way.

## **Policy and Risk Framework**

Our strategy entails specific risks and exposes the bank to societal, economical, and ecological developments, laws, and regulations in both domestic and international markets. Our policy framework is the reference point for the Managing Board decisions and our risk management framework provides guidance for sound decision making. Our policies provide details of our commitments and the expectations we have for ourselves, our clients and other stakeholders. Both our policy and risk framework guard our value creation and license to operate.

Sound risk management and the monitoring of trends and uncertainties enable us to serve our clients and satisfy our stakeholders. Without taking risks, profitable banking activities leading to value creation are impossible, which is why we must accept a certain degree of risk as defined in our Risk Appetite Statement. Our risk management activities are designed to help sound decision making by our Managing Board with regard to the ambitions of the organization, our clients and other stakeholders. More information on key trends, uncertainties, and risk management can be found in the [Key Trends and Uncertainties](#) and [Risk Management](#) chapters.

## Our Strategy

We focus on delivering all-finance services in the Netherlands (Banking for the Netherlands) and on serving our Food and Agriculture (Banking4Food) clients worldwide. We create value through our strategy and through the products, services, and innovations we offer clients in Retail Banking, Private Banking, Wholesale Banking, Rural Banking, Vendor Finance, Leasing, and Property Development.

### Our Business Activities

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

As a cooperative bank we do not merely provide products and services in a functioning economy. We want to also make a substantial contribution to the 'sustainable well-being' and prosperity of the Netherlands and to solving the global food challenge. Overall, we focus our cooperative banking activities on the following themes:

#### Food and Agriculture

The Netherlands is a leading, worldwide player in the Food and Agriculture sector. Drawing on our agricultural roots, Rabobank has helped to secure this position for the Netherlands and we are committed to making a relevant and sustainable contribution in global Food & Agriculture in the future. Through Banking for Food, we connect producers, consumers, farmers, and the public. These interactions help us to play a prominent role in the societal debate concerning the wider food issue and its climate- and energy-related implications.

The Food and Agriculture sector is inextricably linked to our society, economy and environment. If society needs to feed almost ten billion people by 2050, we need a vision and solutions that do not stop at national borders, the farm gate or the supermarket door. Entrepreneurs must constantly respond to changes in the market and legislation, technological developments and evolving social views.

#### Sustainable Entrepreneurship

In order to remain competitive, entrepreneurs, and sectors need to keep up with the transition to a new economy – one characterized by sustainability, circularity, digitization, innovation, and internationalization. We help entrepreneurs face these challenges and opportunities. We do this with knowledge, networks, and financial solutions. After all, we believe that successful entrepreneurship also requires a contribution to "broad prosperity," in which sustainability, inclusion, employment, well-being, development, and concern for society feature strongly.

#### Climate and Energy

Climate change is one of the greatest threats to our planet and to our way of life. To tackle this shared challenge, society at large needs to change how it produces and consumes energy. Therefore, the central objective of Rabobank's climate policy and activities must be to ensure that all our activities, whether they be our own operations or those of our clients around the world, must be aligned with the Paris Climate Treaty. With our clients, members, and partners, we are speeding up this indispensable transition in diverse ways: from being a leading bank in renewable energy project finance to helping companies switch to renewable energy sources; from stimulating circular entrepreneurship to advising customers on energy reduction in their homes and businesses. With our industry knowledge and financial tools, we support (cooperative) climate and energy solutions that are good for people, businesses, and the planet.

#### Sustainable Living

In order to achieve the goals of the Paris Agreement and the Dutch Climate Treaty, seven million homes in the Netherlands must be fitted with an energy supply from sustainable sources. As the biggest mortgage lender in the Netherlands and a significant housing developer, Rabobank supports the shift towards more sustainable homes, and also wants to improve access to the housing market with more affordable rental homes. As a cooperative bank, we believe that ecological,

economic, and social interests should go hand in hand in this effort to increase sustainability.

### Financial Well-being

Society is demanding more and more financial flexibility and independence. At the same time, we are seeing increasing levels of financial vulnerability. Twenty-five percent of Dutch people have insufficient savings to make ends meet for two months without an income. Rabobank encourages everybody to live a more financially healthy life, and is convinced that everybody is capable of accomplishing this. As a cooperative bank, we support the shift toward a more inclusive society, in which people are more financially responsible and in which there are equal opportunities for all.

### Strategic Pillars

We use our strategic pillars, **Excellent Customer Focus**, **Meaningful Cooperative**, **Rock-Solid Bank**, and **Empowered Employees**, to create focus, prioritize, and measure our success on output in order to create value.

#### Excellent Customer Focus

Being client-driven is embedded in our culture. Current and future client requirements can best be satisfied by giving 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. We see our efforts within this pillar connected to SDG 2 (zero hunger), and SDG 8 (decent work and economic growth).

#### Meaningful Cooperative

We translate societal developments into specific contributions for the long-term. Cooperative banking means that we actively involve members, employees, clients, and other partners, and that we connect them with each other. We take a stance on societal issues that matter to our clients and stakeholders, such as climate change and biodiversity. We are committed to connecting with our members and to strengthening the connection between our members, by encouraging a more meaningful experience of cooperative membership. We also offer our current customers the possibility to easily become a member online. We see our efforts within this pillar connected to SDG 2 (zero hunger), (SDG 13, climate action), and (SDG 17, partnerships for the goals).

#### Rock-Solid Bank

Our ambition is 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 terrorist financing. We aim to ensure our continuity with our financial performance and strong ratings. To that end, we are, for example, working hard to improve our cost/income ratio. We see our efforts within this pillar connected to SDG 8 (decent work and economic growth).

#### Empowered Employees

We aim to provide an inclusive working environment for our employees. 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. We see our efforts within this pillar connected to SDG 8 (decent work and economic growth).

In [Performance on Our Strategy](#) we report on the impact we had based on our strategic pillars.



# Creating Value

At Rabobank, we define our purpose by the value we create and by the people and causes for whom we create it. We consider the interaction and transactions with stakeholders a way to generate and regenerate value. This means that stakeholders can become partners in the transitions we face. In practice, we interact both directly and indirectly with stakeholders. The direct interaction with our stakeholders is both input and output for our business model.

The banking system serves society, by ensuring that payment transactions between people are possible, by lending money to enable housing and entrepreneurship, and by optimizing capital allocation. Through these activities, a bank enables money to circulate through the system and helps to sustain the economy.

*Society and its respective stakeholders are required to "meet the needs and aspirations of the present without compromising the ability of future generations to meet their own needs and aspirations."*

Meeting the needs and aspirations of the present without compromising those of the future generation requires not only purpose and courage on an abstract level, but also the allocation of capital in an effective and efficient way. Rabobank can play a role in this allocation and distribution of capital through the instruments of banking, knowledge, and networks.

A bank's infrastructure and the banking model are an essential component of the economy and enables it to function. As a bank, our value chain covers the financial flows required for households and businesses to generate income and/or profit. Our role consists of lending, investing, being a custodian of savings, and domestic real estate development. We offer private and commercial clients a wide variety of financial products, such as loans, payments, and asset management. The Rabobank Group also includes BPD, Obvion, and DLL, which, respectively, provide our customers with real estate, mortgages, and leasing solutions. Through these value chains, we aim to help realize our clients' ambitions and to add value.

## Stakeholder dialogues

We are committed to maintaining strategic, constructive, and proactive dialogues with all our stakeholders. As a bank of systemic importance, we engage with many stakeholders, all of which are important to us.

The process of engaging in dialogues is aligned with the method of appreciative inquiry and is an instrument to highlight and investigate economic, ecological, and societal issues from different angles. We use these dialogues for multiple purposes: to achieve a common local, regional, or national agenda; to collect themes that are important to our members and customers; and to translate them into our strategy, further exploring insights per theme, promoting connections in the regions and engaging in conversation with employees.

Most of our interaction takes place with clients, members, employees, investors, credit and sustainability rating agencies, supervisory bodies, regulators, other banks, fintech companies, and start-ups. In addition, we engage with non-governmental organizations (NGOs), government agencies, the media, and with politicians. We consider our clients, members, investors, and employees to be our direct stakeholders; society (e.g., NGOs, public service bodies, communities, and governing and supervisory bodies) we regard as an indirect stakeholder. We engage with stakeholders through member councils, customer feedback platforms, customer and employee surveys, and through participation in sector initiatives. Our Managing Board Members meet with clients, members, 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

1 Brundtland, G.H., 1987. Our common future—Call for action. Environmental Conservation, 14(4), p.291-294.

and in specific relation to Rabobank. For more information on our engagements, please see our [ESG Facts & Figures report](#).

Stakeholder dialogue plays an important role in our selection of material themes for reporting, and stakeholder input 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 (non-exhaustive) list of these conversations' topics and outcomes.

In 2021, we executed our plan for a Cooperative Covenant with the use of our Dialogue methodology. Read more about this in [Meaningful Cooperative](#).

### Materiality Assessment

We aim to report on how we create, preserve, or erode value for ourselves and for stakeholders that are affected by our activities over the short, medium, and long term. To keep our activities aligned with social, economic, and ecological challenges, as well as with the expectations of our stakeholders, we look at how these challenges affect our performance, our position, and our development ("outside-in"). Moreover, we consider how we impact people and the environment ("inside-out").

We performed research on almost 50 stakeholders related to the context of Rabobank to specify which themes are indicated to be of "material" importance to them. Then, in order to assess the relative importance of these material themes in relation to value creation, we used the Indicator for "sustainable well-being" (Brede Welvaartsindicator, BWI) and the United Nations Finance Initiative (UNEP-FI) Portfolio Impact Analysis Tool for Banks (UNEP-FI Tool).

The BWI framework considers 11 dimensions that influence the overall well-being of people, namely safety, health, income, personal development, environment, job security, housing, civic engagement, social contacts, subjective well-being, and work-life balance. The UNEP-FI Portfolio Tool combines sector- and country-specific research with the sector and country portfolio exposures of Rabobank in order to identify impact areas (e.g. climate) on which the portfolio may have a negative impact if unmanaged, or a positive impact if managed properly.

### Value Creation and License to Operate

Based on our research on material themes, we make a distinction between value-creating themes and license to operate themes based on an assessment of where Rabobank can add value and of which themes are a prerequisite to be able to be able to create added value. When themes both have a

high "outside-in" and "inside-out" importance they are defined as "material themes for value creation". Other themes indicated by stakeholders are perceived as license to operate themes.

Our *Value Creation* themes are: Biodiversity and ecosystems; Circular economy; Climate change; Customer satisfaction; Decent work and income; Digitization and innovation; Energy transition; Financial performance; Health and well-being; Soil quality, Sustainable agriculture and food; Sustainable entrepreneurship; Sustainable finance; Sustainable housing; Water consumption; Water sanitation and hygiene.

Our *License to Operate* themes are: Diversity and inclusion; Employee well-being and development; Talent attraction and retention; Geopolitical developments and systemic risks; Responsible supply chain; Safety; Economic and financial stability; Financial resilience and inclusion; Sustainable mobility; Social contacts; Anti-fraud, money laundering and terrorism; Civic engagement; Corporate governance; Ethics and integrity, Member engagement; Personal development; Community investment.

The above mentioned approach is an enhancement of the methodology compared to last year. More information about how we determined these themes and materiality can be found in [About This Report](#).

# Value Creation Model

## Why

### Our mission

Growing a better world together

### Our vision

Banking for the Netherlands

Banking for Food

## Strategy

### Strategic Pillars

#### Excellent Customer Focus

creating value for Clients

Banking solutions for food, housing, entrepreneurship, living and financial well being.



#### Meaningful Cooperative

creating value for Members and Society

Solutions for environment and society related to food, climate & energy and a more inclusive society.



#### Rock-Solid Bank

creating value for Investors

Strong performance for investors and upholding our license to operate for society.



#### Empowered Employees

creating value for Employees

A diverse and inclusive workplace facilitating engagement, well-being and development for employees.



SDGs

## Business Activities

We focus on delivering all-finance services in the Netherlands and on serving our Food & Agri customers internationally.

We offer solutions in Retail Banking, Wholesale Banking, Rural Banking, Private Banking, Vendor Finance, Leasing, and Property Development.

We actively engage in facilitating transitions which matter to us and stakeholders now and in the future.

Food Transition

Climate & Energy Transition

A More Inclusive Society

## Resources



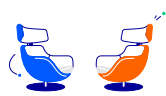
### Employees

- Diversity & Inclusion
- Learning & development
- 43.361 employees



### Capital & Funding

- Wholesale funding
- Capital instruments
- Equity
- Net Interest Income EUR 8,351 million
- Fees and commissions EUR 2,008 million
- Total equity EUR 43.4 billion



### Partnerships & Networks

Multilateral, (inter)national and local partnerships and networks related to: Food, Agriculture, Energy, Climate and Inclusion.



### Knowledge

- Research publications & sector visions
- Dialogue sessions



### (IT) Infrastructure

- System availability
- Online services
- Local banks 84
- Offices in the Netherlands 146
- International Countries 36

## Products and Services

### Netherlands

(amounts in EUR billions)



- Dutch Private Mortgages 192.5
- Lending to Trade, Industry and Services 74.5<sup>1</sup>
- Lending to F&A 35.7<sup>1</sup>
- Point-of-Sale transactions 1.7 billion
- Savings 144.1
- Assets under Management 62.5
- Leasing 1.4
- BPD transactions 6,376

<sup>1</sup> W&R the Netherlands & domestic DLL portfolio included



### International

(amounts in EUR billions)

- Private sector lending to F&A 67.2
- Private sector lending to Trade, Industry and Services 34.7
- Leasing 33.1

## Material themes impacting Value Creation

## Excellent Customer Focus

- Circular economy
- Customer satisfaction
- Digitization & innovation
- Energy transition
- Sustainable agriculture & food
- Sustainable entrepreneurship
- Sustainable finance
- Sustainable housing

## Meaningful Cooperative

- Biodiversity & ecosystems
- Climate change
- Health & wellbeing
- Soil quality
- Water sanitation and hygiene

## Rock-Solid Bank

- Financial performance

## Empowered Employees

- Decent work and income

## Output

## Excellent Customer Focus

| Quantitative Indicator   | Result              |
|--|---------------------|
| Sustainable products and services                              | 119,560 EUR million |
| Online Active Private Customers                                | 67.0 %              |
| Online Active Corporate Customers                              | 82.4 %              |
| Availability of Internet Banking                               | 99.8 %              |
| Availability of Mobile Banking                                 | 99.8 %              |
| Availability of iDEAL  | 99.8 %              |
| Client Photo Frontrunner Clients Wholesale                     | 34 %                |
| Client Photo Frontrunner Clients Rabobank's Dutch Retail Banks | 16 %                |
| Reptrak Recommendation Score                                   | 30%                 |

## Meaningful Cooperative

| Quantitative Indicator                | Result           |
|---------------------------------------|------------------|
| Own CO2 footprint                     | 58,187 tonnes    |
| RepTrak Positive Influence on Society | 68.3             |
| Member Engagement Score               | 44 %             |
| Community funds and donations         | 27.6 EUR million |

## Rock-Solid Bank

| Quantitative Indicator | Result            |
|------------------------|-------------------|
| Net profit             | 3,692 EUR million |
| CET 1 ratio            | 17.4 %            |
| RoE                    | 8.8 %             |
| Cost/Income ratio      | 63.8 %            |

## Empowered Employees

| Quantitative Indicator                 | Result |
|--|--------|
| Employee Engagement Scan               | 72     |
| Diversity percentage of women employed | 49 %   |
| Gender Pay Gap (adjusted)              | 1.8 %  |
| Absenteeism                            | 3.91 % |

Please see Annex 1 for more information

## Outcome

## Excellent Customer Focus

## Meaningful Cooperative

## Rock-Solid Bank

## Empowered Employees



Positive

Facilitate the aspirations of our clients through (digital) products and services, knowledge, networks.

Member involvement, dialogues and feedback, drive economic growth, and investing in sustainable well-being and local communities.

Investors receive distributions and interest. We provide opportunities to invest in sustainable bonds.

Decent work and income, training, and development possibilities. Increasing diversity and inclusion. Satisfaction through contribution to our mission.



Negative

Compensation for products and services, and negative interest rates.

Impact on the environment and society in terms of e.g. financed emissions and biodiversity, fraud, money laundering, low pay, and labor rights.

The discretionary decision of Rabobank not to distribute cash payments on certificates can lead to unfavorable outcomes for investors.

Job insecurity and reallocation, stress, and unfavorable outcomes of working digital first.



## Our Value Creation Model

### Resources for Value Creation

We aspire to add value for our clients and other stakeholders. Our [Value Creation Model](#) shows how our resources support this. Our resources are: Employees (human capital), Capital and Funding (financial capital), Partnerships and Networks (social capital), Knowledge, and (IT) Infrastructure (intellectual capital). Human capital is vital since our employees and members make the bank. Social capital helps us realize our contribution to society. We use our intellectual and financial capital to serve our customers.

#### Employees

We can only make a truly meaningful contribution to the world if our employees enjoy working at Rabobank in a working environment that provides room for diverse perspectives and personal development. This makes our employees proud, driven and motivated to represent Rabobank. They are also inspired by our mission to contribute to a better world. We strive to ensure that talented individuals who choose to work at Rabobank can continue to develop.

#### Capital and Funding

We offer a broad array of investment options to our institutional investors through funding and capital instruments. In turn, this enables us to perform our banking activities. Our high credit ratings, capital levels, and liquidity buffers are what make us a rock-solid bank today and in the long term. Please refer to our [Rock-Solid Bank](#) and [Capital Developments](#) chapters for more information.

#### Partnerships and Networks

We are serious about our role as a socially responsible bank. We help our customers and our network to connect to each other in order to strengthen local communities. We take part in various local, sector, and chain initiatives and support our business and private clients in achieving their sustainability goals. Please refer to our chapter [Meaningful Cooperative](#) for more information on specific partnerships.

#### Knowledge

With a history going back more than 125 years, we have extensive knowledge about Food and Agriculture, and about multiple other sectors in which we are active. Our RaboResearch department is our expertise center of knowledge, providing insights in-, and outside the bank. We will continue to invest in knowledge- and dialogue-sessions with stakeholders, to support them and to learn from each other, and to build new cooperative solutions for the long

term. The innovations we discover in this way help us to allocate information and insights, and develop new products and services. We believe this is key in moving forward, in encouraging transitions, and in rising to societal challenges.

#### (IT) Infrastructure

In the field of digitization and innovation, we strive to ensure high system availability and products that fit customer expectations in order to provide digital convenience to our customers. Additionally, we need to make sure that we are in control of our data systems and of the quality of data. We are also working on new or improved products and services together with stakeholders. Moreover, we examine the best way to set up our business infrastructure and to use local banks and branches.

## Creating Value for Stakeholders

### Creating Value for...

We consider our clients, members, investors, and employees our direct stakeholders; society (NGOs, public service bodies, communities, and governing and supervisory bodies) we consider as indirect stakeholder. Inherent to the use of resources for our activities as a bank we have direct and indirect impact with possible favorable and/or unfavorable outcomes for one or more of our stakeholders. This impact is described below.

#### ...Clients

We want to create positive value and satisfaction by sharing our knowledge through our research publications, our networks, our innovations and (digital) products and through services such as financing and everyday banking, by virtue of which we facilitate the aspirations of our clients. In turn, our clients provide employment opportunities, which may lead to impact decent work and income, health, and well-being.

We do not just offer our clients financial products, we also support clients with our sector-specific knowledge and research. This is what we are known for internationally, especially in the F&A sector.

Our clients and other parties in the F&A value chain have a positive impact on the availability of food. However, F&A activities can also have an unfavorable outcome on the climate (by way of nitrogen and carbon emissions), on soil quality, water availability and quality, and on biodiversity and ecosystems. We encourage our clients to reduce this negative impact as much as possible and create a regenerative ecosystem. To make this possible we help them become more sustainable through several initiatives such as access

to funding, setting up a carbon credit system, sustainability-linked and green loans. Moreover, our own operation also has an impact. We monitor this with our customer satisfaction metrics to indicate positive /negative outcomes.

We describe our activities in greater detail in the [Excellent Customer Focus](#) chapter.

#### ...Members

Member involvement is crucial for us in order to remain a meaningful cooperative. By providing feedback, our members enable us to execute our strategy and support us in the challenges we encounter along the way. Their contribution is immensely valuable. By offering an attractive and valuable membership we enhance our distinctiveness and the success of our cooperative bank. We offer our members dialogues through which they can advise us on multiple themes, as well as vote on the destination of our Cooperative Dividend. Moreover, we continuously look for ways of offering knowledge and special discounts for our members. Our members can also influence our strategy through our General Members' Council. We monitor value creation for our members through the member engagement score to indicate positive/negative outcomes. Please refer to [Our Governance](#) for more information.

We further describe our activities in the [Meaningful Cooperative](#) chapter.

#### ...Institutional Investors

Our financial performance is key to the trust of our investors. Investors receive distributions and interest on their investments. We provide investors the opportunity to invest in sustainable bonds. With an innovative framework developed for this purpose, we enable investors to invest in sustainable bonds, in a way that is transparent and aligned with common frameworks defining sustainable activities (e.g. SDGs).

The discretionary decision of Rabobank not to distribute cash payments on certificates, because this is considered to be in the interest of other stakeholders can lead to unfavorable performance towards the expectation of investors. E.g. On December 15, 2020 the ECB issued a recommendation to banks to refrain from or limit dividends until at least September 30, 2021. This recommendation arose from the uncertainty that continued to prevail in 2020 about the economic impact of Covid-19. The ECB recommended that banks should exercise prudence when deciding on or paying-out dividends. We adhered to this recommendation.

We further describe our activities in the [Rock Solid Bank](#) chapter.

#### ...Employees

We want to provide our employees with a good working environment and give them the chance to excel. With this in mind, our employees receive myriad training and development opportunities. This can create higher job satisfaction and employee engagement in the long term. The reason we attach so much importance to employee engagement is that we are convinced that happy people make happy customers, and that purpose makes perfect. Increasing diversity and inclusion in our workforce helps improve our decision-making and ethical perspective. Furthermore, we believe it improves our services to customers.

Recently we entered a new era of working together anywhere in the world through Rabo@Anywhere. We believe that this "digital first" approach helps to create a better working environment and foster a better work-life balance, combining the benefits of flexible work spaces and -hours with possibilities to work together effectively. This new way of working might, however, lead to unfavorable outcomes as well. As this way of working is in its first stage we are not yet sure of the long term impact it can have on individuals. We will monitor this closely through our engagement scan and absenteeism.

Ensuring that Rabobank remains a future-fit and agile organization also means that we need to keep attracting and retaining talent. This is a key priority for our organization and specifically for HR. At the same time, we will not be able to allocate all our current employees in the future. This is an inevitable side of business, one we try to minimize as much as possible, for example, reallocating employees through internal secondments, re-skilling, and upskilling. It is important to us that employees who leave Rabobank quickly succeed in finding employment elsewhere or are able to start a business. This is something we specifically facilitate through our Collective Labor Agreements.

We further describe our activities in the [Empowered Employees](#) chapter.

### ...Society

Our institutional role as a bank means that, on the one hand, we impact economic and financial stability, and, on the other, we are subject to geopolitical developments and systemic risks. This, in turn, affects society. We drive economic growth in the long term through our banking activities in the transitions and themes that are important to us. From a "sustainable well-being" perspective these investments can have a positive effect in the long term. Moreover, local banks also focus their activities in the regions where they operate based a business agenda that looks at all dimensions of "sustainable well-being."

Through our role in society and our activities in local communities, e.g. through our cooperative dividend, we have an impact on (social) safety, engagement, social contacts, financial resilience, and inclusion of citizens.

We are aware that, as a consequence of the use of natural resources and respective CO2 emissions for our own activities we also create an unfavorable outcome on the environment. Other possible negative effects of our business are cases of fraud, low pay, and labor rights issues within our value chain. We have created monitoring instruments (e.g. Client photo) in the interaction with our clients and business partners. If these instruments show us negative results we engage (e.g. through dialogues and engagement strategies) and monitor changes in behavior. If negative behavior, which is not in accordance with our mission, persists we can decide to end the relationship.

In short: the way we define Growing a better world together implies how we look at favorable and unfavorable outcomes of our business activities. That's why we need to have a continuing dialogue with our stakeholders to calibrate our cooperative compass.

We describe our activities in the [Meaningful Cooperative](#) chapter.

Long term value creation is derived from our vision on the aforementioned transitions. While we can merely indicate how we create value for specific stakeholders in the short term, long term value creation is focused on the SDGs and how we can contribute to them. 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 focus mainly on the four SDGs that we believe we can influence over the long term through our strategy: SDGs

2 (zero hunger), 8 (decent work and economic growth), 13 (climate action), and 17 (partnerships for the goals). Our SDG banking committee, which is chaired by the CEO, manages and monitors the organization-wide ambitions.

# Key Trends and Uncertainties

Every year we analyze trends and uncertainties that may lead to opportunities and risks. For example, trends in consumer behavior, climate, technology, innovation, market players, regulations, the economy, and society. All of these present opportunities as well as challenges.

## Managing Emerging Risks

Our risk management activities are an integral part of strategy design and execution. New strategic initiatives and our role in facilitating transitions may open exciting opportunities, but the expected rewards must be balanced against the related risks. We keep track of external developments and closely monitor how (future) risks might impact the execution 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 by the Managing Board and the Supervisory Board. Please refer to the [Risk Management](#) chapter for more information.

Key risks and opportunities are described below:

### Economic Developments

In 2021, the recovery from the Covid-19 recession dominated both global economic development and our forecasts. Emerging markets and developing economies lag behind in terms of vaccination and therefore also in terms of economic recovery. Downside risks may further occur as a consequence of the phasing out of government support and, of course, the pandemic itself may develop in unforeseen ways (e.g. the sudden appearance of the Omicron variant in late November, 2021).

World GDP rose and for 2022, the world GDP growth outlook is estimated to be 3.6%. Still, some sectors have been hit hard, while others have seen a move towards increased online services. The definitive phasing out of Covid-19 government support measures is still unknown, and it is still unclear how the high debt ratios will affect the future.

Geopolitical unrest is undiminished and trade wars are reshaping the global economy. In addition to Covid-19,

shortages of parts, strained transportation capacity, high energy prices, and a labor mismatch also constrain economic capacity. Labor shortages and a competition for talent are identified as emerging risks, which result in a higher turnover of personnel and long outstanding vacancies in areas such as IT, information security, and data analytics.

We expect the higher inflation, which reflects energy price increases and other supply bottlenecks, will last longer than originally anticipated. Nevertheless, elevated inflation is expected to be transient and a return to the normal ranges is expected in most countries at some point in 2022.

In general, economic opportunities can be found in banking consolidation (especially in Europe), mergers and acquisitions, and the possibilities for a better, worldwide system for the Food and Agriculture sector.

### Disruptive Innovation

Customer preferences are changing rapidly and significantly, with the speed of digitization accelerating, partly prompted by Covid-19. The world of financing and lending has changed rapidly in the last couple of years: private individuals and organizations are prepared to offer funding as well as venture capital to third parties. Bigtech companies, which have already permeated our daily lives and have enormous customer bases, are offering payment-, and other financial services. 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. These developments affect the business model of banks, the importance and challenges of information security and adherence to privacy regulations.

### Climate Change/ESG

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 and the increased transparency requirements on disclosure.

Considering the characteristics of Rabobank we see opportunities in:





- The housing market, creating awareness of energy-saving measures and presenting financing opportunities,
- Financing and facilitating the transition toward climate-smart agriculture, financing transitions to circular agriculture and investments for reduction of emissions, reducing waste.
- Carbon banking – matching the supply of CO<sub>2</sub> reduction projects to the demand for carbon footprint compensation, green savings, and green investments.
- Accelerating the transition to a low-carbon energy system by financing renewable energy projects, supporting innovation, and scaling low-carbon energy solutions.
- Using sustainable finance incentives such as green bonds to enable (large) companies to attract funding for greening their activities.

- Being a leading financier and arranger of financial solutions for disruptive technological innovations for circular and renewable technologies.

Throughout our Annual Report and Impact Report we discuss the risks, opportunities, and our activities in the Food, Climate, and Energy Transition, and the Transition to a more Inclusive Society.

### 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.

|                     | <br><i>Economic developments</i>  | <br><i>Disruptive innovation</i>   | <br><i>Climate change / ESG</i>   | <br><i>Regulations</i>  |
|---------------------|--|---|---|--|
| Opportunities       | <ul style="list-style-type: none"> <li>• Banking consolidation in Europe</li> <li>• Mergers &amp; acquisitions</li> <li>• Food &amp; Agri incl. cross boundaries</li> <li>• Wholesale volume</li> </ul>  | <ul style="list-style-type: none"> <li>• Cost reduction (branches)</li> <li>• Improving services &amp; client satisfaction</li> </ul>   | <ul style="list-style-type: none"> <li>• Key differentiator for GABWT and cooperative mentality</li> <li>• Assisting clients in transition</li> <li>• Sustainable finance</li> <li>• Role in society</li> <li>• Carbon banking</li> </ul>   | <ul style="list-style-type: none"> <li>• Banking 'license to operate'</li> </ul>   |
| Threats             | <ul style="list-style-type: none"> <li>• Low interest environment</li> <li>• Economic / solvency / EU crisis</li> <li>• Geopolitical tensions</li> <li>• Changing value of assets/bubbles</li> <li>• Market leverage</li> <li>• Tighter labor market</li> <li>• Inflation</li> <li>• Higher energy prices</li> </ul> | <ul style="list-style-type: none"> <li>• FinTech &amp; Big Tech</li> <li>• Declining volumes/margins</li> <li>• Scaling issues: e.g. payments &amp; markets</li> <li>• Client expectations</li> <li>• Digital currencies</li> <li>• Disintermediation</li> <li>• Cyber-attacks</li> </ul> | <ul style="list-style-type: none"> <li>• Financial impact on our clients and our own balance sheet</li> <li>• Data and methodology gaps on impact measurements</li> <li>• Pressure from stakeholders / society</li> <li>• Biodiversity loss</li> <li>• Water &amp; food crises</li> </ul> | <ul style="list-style-type: none"> <li>• Financial gatekeeper role</li> <li>• Impact Basel IV</li> <li>• Regulatory measures/fines</li> <li>• Reputational damage</li> </ul>                     |
| Internal challenges | <ul style="list-style-type: none"> <li>• Cost income ratio</li> <li>• Decision on focus areas</li> <li>• Realizing growth potential NL/F&amp;A</li> </ul>  | <ul style="list-style-type: none"> <li>• Vendor risk</li> <li>• Legacy systems</li> <li>• Cybercrime measures</li> <li>• Employee reskilling / Journey</li> </ul>   | <ul style="list-style-type: none"> <li>• Embedding of climate/ESG throughout the bank</li> <li>• Governance on ESG/Climate risk and opportunities</li> <li>• Climate change / environmental degradation data particular in the agricultural sector</li> </ul>                             | <ul style="list-style-type: none"> <li>• Magnitude of projects</li> <li>• High influx and complexity of regulatory requirements</li> <li>• Full and timely embedding KYC/CDD/GDPR/AML</li> </ul> |

# *Performance on Our Strategy*







## *Excellent Customer Focus*

It goes without saying that we want to be Customer-focused. But we take it a step further. We provide tailored advice to clients with innovative and digital services and, we offer a wide range of products. In this way, we not only help our clients now: we also help them get ready for the future in a rapidly changing world. This is our cooperative mentality in practice.



# Excellent Customer Focus

## Our Contribution to the Propositions

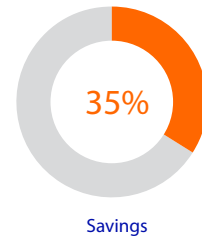
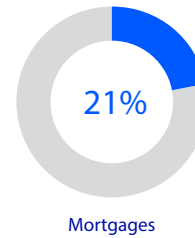


**Sustainable Living**  
Average label in the mortgage portfolio: Label C.

**Climate and Energy, and Sustainable Entrepreneurship**  
Energy transition: EUR 1.7 billion financed in 50 renewable energy projects.  
Sustainable Entrepreneurship: Rabo Impact Loans EUR 104 million exposure.

**Financial Well-being**  
424,409 customers used the online financial tool "WegWijzer".

## Domestic market shares



**384,604**  
Downloads Food & Agri podcast



**4,6**  
★★★★★  
Play Store score

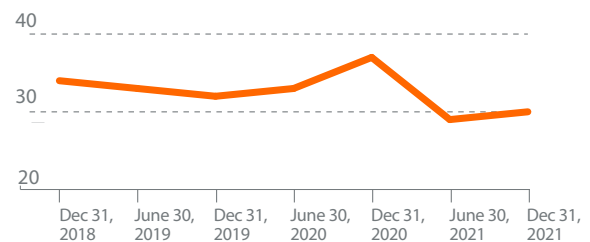
**4,2**  
★★★★★  
App Store score



*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.*

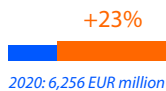
## RepTrak Recommendation Score

as of Dec 31, 2021



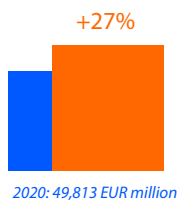
### Sustainable Funding

**7,699**  
EUR million



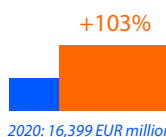
### Sustainable Finance

**63,117**  
EUR million



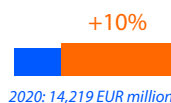
### Sustainable Assets under Management

**33,088**  
EUR million



### Sustainable Transactions Supervised

**15,656**  
EUR million



See Methodology Report for more information and definitions

## Sustainability Performance of Clients

(Client Photo)

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

**34%** Frontrunner Clients Wholesale (A-level)

**16%** Frontrunner Clients Rabobank's Dutch Retail Banks (A-level)

## Excellent Customer Focus

**In 2021, the Covid-19 pandemic had a major impact on society and on our clients around the world for the second year in a row. While supporting clients to recover from losses caused by the crisis, we also helped to regenerate the business of our clients with multiple sustainability-linked products and services. Moreover, we invested in pilots of new products such as Rabo Carbon Bank and Rabo SmartBuilds.**

In the continuation of these unprecedented times, the use of our online channels increased. Of our private customers, 67% use our online services, as do 82% of our corporate clients.

### The Netherlands | Banking 3.5

The optimization of our operating model in the Netherlands (known in Dutch as "Bankieren 3.5") also continued in 2021. We are working on multiple changes came in the Dutch retail banking infrastructure, where we adjust our customer service in line with customer needs, customer behavior, and customer value. In practice, our employees now work in multi-disciplinary teams in their local environment and aim to address those local needs that are connected to Banking4Food, the Energy transition, Sustainable Entrepreneurship, Sustainable Living, and Financial Well-being.

### International Activities

We are working on a number of operational transformations across countries and domains in accordance with our agile way of working model (Simplify@Scale). In 2021, our Wholesale and Rural (W&R) business line was transformed. It now follows our Dutch Retail organization in working in an agile way. Examples of international efforts to simplify our operations and building a more efficient organization include winding down and closing our direct banking operations in Belgium, Germany (retail savings), and India (onshore). Following the optimization of the Retail and Business domain in the Netherlands, we also completed the transformation to Simplify@Scale in our W&R domain in 2021.

#### Complaints Infrastructure

The childcare benefits scandal in the Netherlands ("Toeslagenaffaire"), has prompted us to reconsider our own "complaints infrastructure". What processes do we have in place to prevent our customers from being crushed by bureaucracy, partly as a result of automation? After all, people must be at the heart of operations; for

a cooperative bank, this is especially important. Every organization makes mistakes, but when it does, these mistakes must be corrected quickly and adequately.

Complaints management tends to be seen merely as an instrument. This approach means that the possible connection between a low level of complaints and the need for substantive policy improvements may be missed, as a low level of complaints may in fact be an indicator that there is a problem.

*Ethics Committee, 06-16-2021*

### Digitization and Innovation

The fast pace of technological change and innovation can put pressure on as well as enable the banking industry, and impacts how we achieve our goals in the future. We believe that, in order to remain competitive in a changing landscape, we must simplify our operating models and accelerate our digitization. We need to become a "digital first" organization, in terms of infrastructure and client services. Clients expect the type of services that they are used to from digital native companies: fully online and with a focus on ease of use.

As Rabobank, we want to be close to our customers and address their needs and interests. Our transformation to an agile way of working helps us to be more successful in maintaining excellent customer focus while aiming for 100% digital services. Through automation of our IT pipelines, we have improved and continue to improve, the speed of IT delivery. By applying robotics in our operations processes we have reduced costs and are more and more able to ensure consistency in our (online) services. In 2021, we worked on renewing our IT landscape, among others by switching off legacy systems. To enable speed and guarantee consistency, functionality is developed once and is reused across different channels, for instance our App and web. Furthermore, we aim to standardize the underlying technical platforms and common application components as much as possible in order to be able to respond fast to changing customer needs.

According to research done by Sia Partners, out of 135 mobile banking apps in 17 countries worldwide, Rabobank came out as the 'only Dutch banking app among the digital leaders of the world.'

#### Innovation

Together, we work on sustainable solutions to society's challenges – big and small. We believe that without innovation,



there can be no progress. We are constantly working to improve our services, including the Rabo app our website.

We also work with clients, members, employees, and partners on sustainable solutions for the many challenges facing society and for the required transitions in F&A, Climate and Energy, and a More Inclusive Society, e.g., ACORN, Rabo Electric, and Data Keeper. In doing so, we look to the future: what is our future role as a bank?

We share our technological knowledge and experience with our stakeholders in our Tech Trend reports. These reports help stakeholders identify which technologies to examine today to better understand the world of tomorrow ([Tech Trend Report 2020](#)), and explain, the way in which the same technologies can be applied to major societal discussions ([Tech Trend Report 2021](#)). The reports also help us better understand the risks and opportunities that we have identified for ourselves and our clients as previously described in [Trends and Uncertainties](#).

In 2021, multiple innovations that were developed within Rabobank (e.g. SurePay and TreasurUp) managed to scale, spin-out, and expand their business. SurePay is proving its scalability with business expansions to the UK and France and won a PayTech and British Bank award.

#### **Dilemma: Responsible Artificial Intelligence (AI)**

AI plays an increasingly important role at Rabobank, and customers, regulators and society at large expect transparency. All ethical decisions that Rabobank makes in the application of models, and AI in particular, must be properly documented. Our key considerations include:

- How do you prevent bias in data sets?
- How do you ensure that AI models can be explained in simple terms to third parties?
- How do you ensure that AI is human-centered?

The more general question relates to whether everything that is or will become technologically possible is also desirable. An ethical AI framework can be helpful in spotting possible issues quicker. The Ethics Committee believes that there should be transparency about AI, with a framework of standards for ethical dilemmas in the development and application of models, and AI in particular. In the EU, AI regulation is being drafted that can support this framework. It is also important to work on awareness at an early stage, because it affects everyone in the organization.

*Ethics Committee, 06-16-2021/10-13-2021*

## Food and Agriculture

### Banking for Food...

Through Banking for Food we want to play a prominent role in the societal debate concerning the wider food issue and, in this way, connect producers, consumers, farmers, and the public sector with each other. As the market leader in the agricultural sector in the Netherlands, we see Banking for the Netherlands and Banking for Food as closely interconnected.

### ...In the Netherlands

Staying true to our roots, we continue to be a leading bank in the Dutch F&A sector. The agricultural sector in the Netherlands is an important contributor to the economy, and to society; it is renowned worldwide for its efficient and innovative practices. At the same time, this sector faces important challenges.

We believe that if farmers can work toward long-term goals with innovative and nature-inclusive solutions, they can contribute toward a future-proof, sustainable, and dynamic sector. This means that we need to be able to measure performance on critical sustainability success factors. We have developed multiple tools in order to accomplish this, such as the Open Soil Index (developed by a coalition of ASR, Vitens, and Rabobank), and the biodiversity monitor dairy farming by DZK/Friesland Campina, WWF, and Rabobank.

The dairy sector is one of the largest agricultural sectors in the Netherlands. It creates significant added value for the economy compared with other agricultural sectors. In 2021, our domestic dairy portfolio amounted to EUR 9.0 billion, representing 26% of our total domestic F&A portfolio. From the perspective of added value related to negative environmental impact, there is still progress to be made when it comes to accelerating the positive impacts of the sector on the environment (like restoring biodiversity, carbon sequestration, and water storage), and to include them in current business models, while further reducing its negative impact. This is why, this year, we launched a 0.2% loan discount for sustainable Dutch dairy farmers (Client Photo: A-label), and we want to expand this product to other F&A sub-sectors. More information about the impact of the dairy sector on climate can be read in our Impact Report.

With our regional approach, furthermore, we aim to bring customers and stakeholders together to work on solutions for the entire region.

### **... Internationally**

Our total F&A loan portfolio at Year End is EUR 102.9 billion. To help clients embed sustainability at the core of their operations, we granted sustainability linked loans. These loans come with a set of sustainability KPIs for the company. If clients meet these KPIs, they receive a discount on their interest rate. We also act as sustainability coordinator for clients, giving them access to our knowledge and our network.

Our clients are working hard on future-proofing their businesses. They face many challenges in the transition to sustainable food systems. To ease the transition, we set up the SDG 12.3 Loan in 2021. This loan rewards the reduction of food waste with lower interest rates by KPI setting. In short, the KPI amounts to measuring the total number of tons of food produced or sold, compared to food waste and loss. We granted the first loan to a well-known Dutch supermarket chain Ekoplaza.

In 2020, we started to develop carbon credit generating projects through our Rabo Carbon Bank. Rabo Carbon Bank is developing propositions that help farmers become carbon champions by shifting to regenerative agricultural practices leading to business opportunities for the sequestration of carbon. We connect them to net-zero committed businesses and organizations that are looking for a reliable way to compensate their own unavoidable emissions. These projects are aimed at regenerating ecosystems, creating additional revenues for farmers, and driving reduction and compensation schemes for businesses. In the U.S., a group of farmers in three U.S. states have completed the initial bench-marking phase of Rabo Carbon Bank's first carbon sequestration and soil health pilot program in North America. Participating farmers will receive compensation for implementing regenerative agricultural practices that enrich their fields' soils, while capturing carbon from the air. Smallholder farmers can generate credits through our ACORN project (Agroforestry Carbon Removal Units for the Organic Restoration of Nature) by planting trees on their land and using traditional farming methods (such as no-till farming) that result in CO<sub>2</sub> capture. Rabobank sets up programs to implement this model together with partners like Microsoft and Solidaridad. One such collaboration involves Colombian coffee farmers. In 2021 Standard Chartered was one of the first corporates that acquired 16,000 Carbon Removal Units.

### **Investments**

Together with TELUS Agriculture, a global agriculture technology leader, Rabobank acquired Conservis, a company that integrates disparate farm technologies into one streamlined interface to manage the business of farming. In

2021, our Rabo Food and Agriculture Innovation Fund has invested in promising technology solutions such as Ecto and Aromyx. Ecto is a US-based company that has developed a data analytics platform that helps animal protein producers become more efficient and sustainable by streamlining processes, collecting and integrating data, and providing monitoring tools and predictive insights. Aromyx is a data-driven biotech company that allows food producers to innovate faster and at higher success rates by providing objective, high quality data on human perception of taste and smell.

Rabo Frontier Ventures, our investment fund focusing globally on innovative Fintech and Agtech companies expanded its portfolio with, among others, the investment in Agro.Club. This startup links key players in the global agricultural value chain including growers, crop buyers, food companies, and input suppliers through a digital ecosystem. Suppliers offering seeds, crop inputs, and animal nutrition products among other things use the platform to manage their sales and marketing campaigns.

## Knowledge

Next to our financial products and services, we distinguish ourselves through our knowledge and research in the F&A domain. Our research department RaboResearch has almost 70 F&A researchers collecting and analyzing information, and recognizing opportunities using local knowledge and global reach across all F&A sectors. Our Food and Agriculture Research (FAR) podcasts were downloaded 384,604 times in 2021. Through Rabo Food Forward, we form coalitions to work in partnership on sustainable food solutions. For instance, we focus on how to create shorter food value chains. FoodBytes!, our global network, matches innovators with investors and customers. In 2021 alone, FoodBytes! offered a platform for 45 commercially validated startups from 15 different countries, and had 40 corporate/investor members in the program. In 2021, FoodBytes! facilitated 1,122 connections and helped raise USD 1.4 billion.

### Dilemma: Making Agriculture More Sustainable in the Netherlands

Rabobank has strong ambitions for making Dutch agriculture more sustainable. We want and need to make substantial achievements in the field of climate transition and agricultural transition, but are limited by what is possible (Natura 2000, nitrogen, limited available space).

The question is how Rabobank can align its promise to contribute to making Dutch agriculture more sustainable with the everyday reality of business.

Farmers' account managers often work with centrally developed risk models, which makes it difficult to offer sustainability-linked, customized solutions for clients. The Ethics Committee considers this an undesirable situation; as a cooperative bank, we have to conclude deals with farmers who really want to get started with sustainability. Behind every farm is a family, so the discussed challenges must be addressed with empathy.

*Ethics Committee, 10-13-2021*

## Climate Exposure

Our Food and Agriculture clients are responsible for an estimated 37,8 MT of CO<sub>2</sub> emissions. As mentioned above we are investing in multiple ways to decrease emissions. More about achieving climate targets can be read in Our Impact 2021 report, where we discuss the Paris Alignment through "Our Road to Paris" approach.

## Sustainable Entrepreneurship and the Climate and Energy Transition

Since the energy sector plays such a vital role in the transition to a net zero society, we have set an ambitious agenda for our energy sector portfolio. Through our involvement in 253 projects and exposure of EUR 3,400 million we are one of the top ten global lenders in renewable energy. By investing in "renewables" and by decreasing the share of fossil energy we can – and need to – make the shift towards the net zero economy.

In 2021, we participated, among others, in the construction of The Arcadis Ost1 257MW offshore wind farm that is being developed in the German territorial waters of the Baltic Sea. The wind farm will begin operations in 2023 and will supply enough green energy to power an equivalent of up to 290,000 households. In the Netherlands we provide our clients with products and services from our Energy transition and Circular entrepreneurship desks. In 2021, we financed EUR 264 million in circular business.

As a leading agricultural lender, we are involved in geothermal heat projects in the Netherlands, primarily in the horticulture sector in the Westland region. We also co-finance energy cooperatives. We launched the "Realisatiefonds" with Energie Samen, SVn, Triodos, and ASN. Local energy cooperatives can take out loans from this new national fund to finance collective solar projects.

Together with "Energieke Regio," municipalities and entrepreneurs we worked on making business parks more sustainable. We also made strides in developing a new "Energy as a Service" proposition which provides a solution to fund various companies that offer sustainable assets (solar panels, heat pumps, etc.) as a service to third parties. This rapidly growing business model ensures that the energy transition becomes more accessible for companies and individuals. We help clients to do business more sustainably by offering concrete financing solutions, such as the Rabo Impact Loan.

The European Investment Bank (EIB) has made EUR 250 million available to Rabobank to support sustainable entrepreneurs with "impact loans" under favorable conditions. Rabobank will match this amount in green loans with the Climate Action impact. The facility follows five earlier "impact loans," for a total of EUR 850 million, that have supported over 470 Dutch SMEs and more than 20 different sectors. We also allocated EUR 32 million of the Social impact loan in 2021. Furthermore, we lend for sustainability through the Rabo Innovation loan EUR 68 million (2020: EUR 17.4 million exposure). As of 2021, the amount included in our sustainable financing is

EUR 63.1 billion (2020: EUR 49.8 billion). Notable Sustainability Linked Loans that were granted recently include RoyalSanders and Eneco.

Our employees also acknowledge the importance of the energy transition. Since 2020, we offer them training on the energy transition and the role of Rabobank and until year end 2021 almost 7,000 employees were trained. Moreover, 14,485 citizens among whom are clients, members, and employees, participated in the "Energy Challenge" course.

### ***Sustainable Investments and Leasing***

Leasing has the potential to make a substantial contribution to the climate transition since some companies do not have the resources to invest in low-carbon technologies, or because financial leasing is a more attractive proposition to them. We support our clients and partners in the transition to a new and sustainable fleet. With Rabo Electric we help entrepreneurs with financial and practical insight into the electrification of their vehicles. In addition, we offer a financial lease for all these vehicles so that customers can choose the dealer and are the full owner of their electric car or van. Under the umbrella of our newly launched e-mobility proposition we are also working on new business models with Rabo Lease and our subsidiary DLL to see how Electric Light Commercial Vehicles (e-LCV) can be financed or leased. We work with business partners to make it possible to offer charging infrastructure, solar panels, maintenance, roadside assistance, and insurance. DLL also offers financial solutions which cover the total product life cycle alongside clean tech products to realize innovative developments in sustainability.

We firmly believe that together we can achieve more. We also realize that the climate change objectives in the Dutch Climate Agreement and the transition needed to reach them are a mammoth task. This is all the more reason to constantly stay alert to how we can make sustainability affordable and accessible to everyone. The only way to reach these ambitious climate targets is through true collaboration between central government, municipalities, banks, and other market actors. With our cooperative mentality we have a tremendous drive to realize these plans with and for our clients.

In 2021, 53% of the assets under management (EUR: 33.1 billion) on a total of EUR 62.5 billion assets under management were categorized as sustainable, of which EUR 31 billion were invested in mandate funds with the specific objective of at least 30% lower CO2 intensity than the benchmark.

### ***Groen Bank***

Private investors can invest in sustainable business through Rabo Groen Bank. This is the largest green bank in the Netherlands with a current volume of close to EUR 2.5 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. In 2021 we opened 11,844 new savings accounts totaling EUR 828.5 million. It transfers this benefit in the form of an interest discount on green loans to companies with sustainable investments. In 2021, Rabo Groen Bank issued EUR 626.4 million in green loans. The largest growth came from the installation of solar panels with EUR 327.8 million in green loans.

### ***Sustainability Performance of our Clients - Client Photo***

Our Client Photo is a solution that enables us to gather data on the environmental, social, and governance performance of clients in Rabobank's portfolio. The purpose of our Client Photo is to improve client engagement and business development.

The Client Photo is part of the onboarding/credit process and is monitored. We assign categories through a qualitative process in which client metrics are taken into account and benchmarked with industry/sector specific indicators. Finally, professional judgment is applied to assign a score. The unique Rabobank Client Photo assesses the sustainability performance, based upon professional judgment on the sustainability performance, of our clients and where they stand on our sustainability policies. We acknowledge several limitations in this Client Photo, because we are confronted with the limited availability of sustainability-related data & methodologies and the necessity to use professional judgment. However it still facilitates our assessment of the sustainability of our clients. We iterate and improve through a continuous process.

The weighted average sustainability performance of our clients (the Client Photo score) improved in 2021 for Wholesale 1.8% and for Retail NL 1.9%. We use the Client Photo to gain better insight into our clients' approaches and achievements related to ESG matters. Relationship managers profile their clients 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 are busy integrating the Client Photo as a criterion into the primary lending process for our wholesale and business clients. In 2021 we have launched the Client Photo in the primary lending process for our rural clients expanding the possibilities to improve engagement with our clients on sustainability.

### Sustainability Performance Clients with an Exposure > EUR 1 Million

|  | 2021 | 2020 | Target 2021 |
|--|------|------|-------------|
| Retail NL coverage                             | 100% | 99%  | 100%        |
| Retail NL A-level Clients <sup>1</sup>         | 16%  | 12%  | n/a         |
| Wholesale Offices coverage                     | 90%  | 90%  | 95%         |
| Wholesale Offices A-level Clients <sup>1</sup> | 34%  | 30%  | n/a         |

1 The percentages for Local Banks and Wholesale Offices are not comparable, because they are based on the specific business activities of Wholesale and Retail NL.

For more detailed information about our Client Photo please refer to our [ESG facts & figures](#).

## Sustainable Living

As market leader in the mortgage market in the Netherlands, we help customers make their homes more sustainable. We have made decarbonization of homes more accessible: 67,790 clients used our new online scanning tool which offers them advice and concrete offers to improve their houses. 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.

In order to achieve sustainability goals together with our customers, we provide our financial advisers with tailored training on sustainability matters to equip them with the expertise required to discuss and offer these products and services to our customers.

### Rabo SmartBuilds

At Rabobank, we want to help to reduce the housing shortage in the Netherlands. That is why, in 2021, we announced that we are going to build 12,000 affordable, highly energy efficient, temporary, modular homes in the Netherlands through Rabo SmartBuilds. Because the homes are temporary, lengthy bureaucratic procedures are unnecessary. The homes can be (de)constructed quickly and moved to a new location after 15 years. Municipalities are an important partner to facilitate SmartBuilds by making land available. By the end of 2021, with 20 municipalities we are exploring concrete opportunities and we try to start building in 2022 year.

### Our Contribution to Affordable Rental Homes in the Dutch Housing Market

In the housing market in the Netherlands, there are not enough affordable and sustainable rental homes available for middle-income households. Together with our subsidiary Bouwfonds Property Development (BPD), we want to contribute to a solution for this problem through the BPD Woningfonds

(established at the end of 2019), by building and renting these sustainable homes to this target group. By the end of 2021, through BPD Woningfonds, we have over 766 mid-rent homes under lease and nearly 2,700 more in portfolio (under construction and in acquisition). Our goal is to have delivered 15,000 new affordable and sustainable rental homes by 2029.

In 2021 we also announced that together with BPD we are looking into regenerative ways of transforming our old offices into rental homes. We have sold five of our offices to BPD and are looking into the possibilities to expand this project.

### Climate Exposure

We discuss our climate related financial disclosure on our mortgage portfolio in the [Climate-related Financial Disclosure](#) chapter and provide a deep dive on Paris alignment of our mortgages portfolio in the Impact Report.

## Financial Well-being

### Reducing Financial Inequalities

We believe that everyone can take a step towards a financially healthier and more sustainable life and towards capital building. We offer our clients various options, e.g. "healthy money conversations" for private customers, and the piggy bank savings option in the Rabo banking app. In 2021, 424,409 customers took a step toward capital building by using the online financial tool "WegWijzer". 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. This is how we can build a more inclusive society together.

Financial well-being is under pressure from drivers such as inflation, energy poverty, and income inequality. We believe we have an institutional role to play, especially in the Netherlands, as we are both a provider of capital and a guardian of the current accounts, as well as of the 144.1 billion in savings of our 8.1 million customers. According to Nibud, 25% of Dutch people have insufficient savings to get by for two months without an income. In 2021 we continued to refer private customers and entrepreneurs to Geldfit.nl through our own channels and staff. In all, we referred over 26,588 people to Geldfit.nl to take the anonymous financial test.

To better serve customers with growing concerns about money, Rabobank launched a team "Hulp bij Geldzorgen" (Help with Money Worries) pilot in December 2020. This team is set up for proactive preventive management and, in addition to a listening ear, offers help that is available through the



Nederlandse Schuldhulproude (Debt Assistance Route) and/or a solution from Rabobank. Over 3,800 customers had contact with the "Hulp bij Geldzorgen" Team. More than 75% of the customers who have asked Rabobank for help become more financially healthy by asking help. Thanks to the success of the 2021 pilot, the team of 15 employees will become a structural part of Rabobank in 2022.

By consistently spreading the message, together with partners like Nibud, that it is healthy to talk about money, we have ensured that the willingness to start the conversation about money has increased. Our "Praten Over Geld" (Talking About Money) campaign encourages people to start these conversations. The campaign links to an online tool ("WegWijzer") for more insights into money matters. Through this simple tool, we have already helped 424,409 people determine how to start achieving financial health. By the end of 2021, 757,452 people had clicked on the guide and almost 60% filled it in. Our Rabo banking app offers our customers financial insights and helps create an overview of their finances. Thanks to new features in the Rabo App, every month more than 2.4 million customers now use the app to gain even better insight into their finances.

### ***(Digital) Inclusion***

We aim to ensure that everyone can participate. We accomplish this by giving people access to knowledge, networks, and financial services so that they can make conscious choices that are important to them, now and in the longer term. We want to offer our clients services that can support those who have difficulty with financial matters; through, for instance, teaching young people how to handle money, helping the elderly with secure digital banking, or promptly identifying financial problems so as to ensure debt relief can be offered at an earlier stage. In October 2021, we started the "Mobiele Bankservice" for customers who are (temporarily) less mobile due to illness, accident, seniority, or a physical disability. In December 2021, we started distributing new debit cards to our retail clients, designed with special attributes that help our visually impaired clients detect the type of card they are using.

Another way in which we can support inclusion is to make identification processes in an increasingly digital world safe and simple. Our Datakeeper app ensures that personal data is safe and, stored securely, and that customers can decide which data attributes they share, with whom and when. With this solution we are anticipating on the impact of a framework for a European Digital Identity aiming to make Europe "fit for the digital age." Additionally, Rabobank connects cybersecurity to financial self-reliance through HackShield a virtual game for children aged between eight and twelve years old.

More than 70,000 children have already played the game and 100 municipalities have supported the roll-out of this game program.

## **Client Satisfaction**

We believe it is important to listen to what customers and clients think of our service. We use their feedback to improve our products and services.

Our own and external surveys show a decline in overall client satisfaction. The effects of the Covid-19 pandemic put pressure on our client-facing (support) departments and respective employees. As a result, the availability and lead times of our physical services in 2021 were below par. Complaints were often related to the availability of Geldmaat, closure of local offices, and availability of the service desk where we did not meet the expectations of our clients. Excellent customer focus in these challenging times remains a key priority. Therefore, we have hired additional employees, intensified interaction with Geldmaat, and activated mobile services for our clients who cannot come into the office.

We changed our client satisfaction measurement (NPS) to RepTrak Recommendation score. We made the choice to change to RepTrak Recommendation score because this method is more effective and efficient in order to improve the management of our client satisfaction.

To increase satisfaction, we need to deliver on Rabobank's key differentiators, especially our knowledge, our network, and our continuous dialogues with our private customers and business clients. We arranged the regular meetings with the 84 member councils (formed by clients who are members of Rabobank) in the Netherlands.

## **Client Engagement**

We engage with many clients 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 with our approach (for example, through NGO reports, dialogues with clients or other stakeholders, or through media exposure), we enter into a formal engagement process with these clients. Sometimes these engagements lead to an adjustment of the Client Photo rating, and the creation of a time-bound plan. The Group Sustainability department has an advisory role in this process. We anonymize the report on our client engagements in order to protect privacy. Read more about client engagement in [ESG Facts & Figures](#).

## Transparency

Being more transparent further creates the opportunity to engage with clients and other stakeholders, and to talk about how we can move forward in transitions based on concrete facts and figures. This is also the reason we support and commit to specific reporting requirements such as the Net Zero Banking Alliance which we joined in 2021. We also expect our clients to be more transparent and request detailed information both during onboarding as well as through the life cycle of our contracts. This way, we can indicate our sustainability performance on a portfolio level and determine financed CO2 emissions.





## Meaningful Cooperative

Guided by our cooperative origins, we bring employees, clients, and partners together. We do not shy away from important societal issues and developments such as climate change, the energy transition, and inclusivity. We want to contribute to a more sustainable world without hunger and with equal opportunities for all.



# Meaningful Cooperative

## Member Engagement Score

44%

2020: 52%



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.

## Rabobank club support

30,000  
clubs and associations  
participated

500,000  
members voted

€ 13 million  
donated to clubs  
and associations



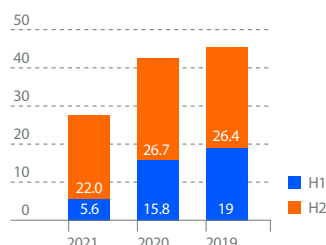
### Projects & Funds

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

## Community Funds and Donations

€ 27.6 million

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



### Partnerships & Memberships

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

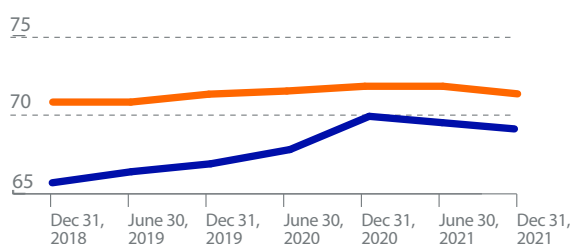
- WBCSD
- UNEP FI
- WWF
- PCAF
- NVB
- EACB
- FAO
- WEF
- IDH

## RepTrak Score

as of Dec 31, 2021

Reputation Management  
70.4

Social Impact Score  
68.3

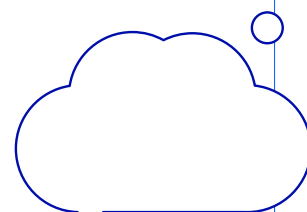


## CO2 footprint

own operations

58,187  
tonnes

1.3  
tonnes per FTE



## Meaningful Cooperative

**For us, being a meaningful cooperative means that we are committed to making a difference as a cooperative bank, in the Netherlands and around the world, by taking a stand on societal issues within the food transition, climate and energy, and the transition to a more inclusive society. This is also why we report on these topics in our Annual Report and our Impact Report.**

In 2021, we recognized that, despite its devastating effects on people, families, and communities, the Covid-19 period offered a possible opportunity to accelerate required transitions. That is why we not only set up funds that will help society emerge from this crisis, but also leveraged the (financial) needs into sustainable opportunities. Specifically, our local banks in the Netherlands supported their communities, and together with ING, ABN AMRO, and ABP we allocated EUR 400 million to help recover and regenerate SMEs looking for a way out of the crisis. In India, we supported smallholder farmers with a Covid Response Fund for Agriculture Transition. As a result, around 220,000 smallholder farmers will receive assistance over the next eight years.

### Member Engagement

When we surveyed members about how they want to engage with us or give substance to their membership, 44% said that they feel involved with Rabobank (2020: 52%). Maintaining engagement with our members throughout the Covid-19 period caused new challenges. In order to stay in contact with our members we organized digital dialogues, including the dialogues that led to the Cooperative Covenant.

#### Cooperative Covenant

In 2021 the [Cooperative Covenant](#) was published. This treaty provides a vision for the future for regional economies and communities. The input for the Cooperative Covenant comes from the results of the dialogues in the regions, complemented with economic research. Together, these underpin our cooperative vision and action plan for the Netherlands to accelerate the major transitions that we face. In addition, the Covenant provides direct input for regional business plans that contain initiatives to strengthen the region.

To structure this research, we used the “broad prosperity indicator” (BWI). The BWI framework was developed by RaboResearch and the University of Utrecht to determine how various factors affect well-being. Instead of solely considering the economic dimension, such as the gross domestic product (GDP), the BWI framework considers eleven dimensions – *safety, health, income, personal development, environment,*

*job security, housing, community involvement, social relations, subjective well-being, and work-life balance* – that are deemed to influence people’s overall well-being.

#### Cooperative Dividend

Based on their cooperative member base, local banks are a driving force in the development of society, primarily by providing access to financial services. In addition, members are able to allocate a portion of the net profit to local public interest initiatives. Rabobank strives for a greater social impact of the cooperative dividend. This can be achieved by using the cooperative dividend to support the social agenda. The director of the local Rabobank makes a proposal for the actual expenditure and total annual amount. They then submit their advice to the local members council who give a mandate on the amount.

This year, EUR 27.6 million (2020: EUR 42.5 million) was allocated as cooperative dividend. The dividend amount is related to the financial results of a previous year. A part of the cooperative dividend is allocated to Rabo Clubsupport. Next to our knowledge and network we support local clubs in order to enhance the vitality of local communities. More information can be found in the paragraph on Transition to a More Inclusive Society.

### Partnerships

We are convinced that the future is cooperative, which is why we want our cooperative mentality to be at the core of everything we do. We highly value Partnerships and Memberships, which are crucial to making progress on all the transitions. During the COP26 in Glasgow in November 2021 we were able to create and enhance partnerships that we deem necessary to facilitate and accelerate these transitions. Some partnerships are transition-specific, others are overarching, since in practice most dimensions of the different transitions intertwine. Through partnerships such as the Global Canopy, the United Nations Development Programme (UNDP), the United Nations Environment Programme Finance Initiative (UNEP FI), World Wide Fund for Nature (WWF), Task Forces on Nature and Climate-related Financial Disclosures (TNFD/TCFD), Banking for Impact on Climate in Agriculture (B4ICA), World Business Council for Sustainable Development and other (inter)national networks that brings together (cooperative) banks, scientists and relevant experts are part of our strategic approach toward the transitions.

#### Rabo Partnerships

Rabo Partnerships is our booster for Food and Agriculture related innovations in the areas of financial inclusion and sustainable food security globally. We invest in financial



institutions, technical assistance, blended finance, and the creation of a smallholders ecosystem. Rabo Partnerships connects and supports the farmers in Africa and Asia in gaining access to markets and finance solutions today.

## Facilitating Transitions

In addition to the activities that we carry out for our clients, we perform sector and/or transition wide activities that assist clients and other stakeholders in the different transitions we face. Below we describe our activities specifically aimed at accelerating and facilitating transitions.

### Food Transition

The Food transition is a crucial transition. It involves finding a more sustainable way to feed the growing world population and encompasses many of our focus SDGs. After the climate challenge, it is one of the most pressing and complex challenges the world faces. We strive to facilitate the Food Transition in the best ways we can. In 2021, we supported the Open Letter Biodiversity, which calls on governments to 1) Commit to reverse nature loss by 2030, and 2) Adopt ambitious and actionable targets that can help businesses to accelerate action, and to innovate, invest, and transform their business models. This is also why we were present at the 2021 UN Food Systems Summit, where we talked to world leaders and NGOs. Rabobank, as a thought leader in financing the Food and Agriculture sector, contributed to the summit by discussing actionable solutions. As a result of this summit a UN mechanism will be developed to involve governments around the True Value of Food Initiative that is co-founded by Rabobank.

We also started the Future Farmers Council. This is a forum to connect the next generation of farmer clients from all our rural locations with each other and with ourselves, in order to analyze global and regional economic, societal, environmental, and innovation themes, and examine what this means for Rabobank's products and services.

### Biodiversity

We believe we should strive to innovate, invest, and transform our business model and the business models of our clients. We do so through our products and service offerings, as well as through the allocation of our capital. Biodiversity is an important phenomenon that we should take into account. Vital soil is crucial for food production and for the fight against climate change. We are helping farmers to protect and restore biodiversity, and move towards adopting more circular agriculture models. The [open soil index](#), for example, is a kind of energy label that allows farmers to demonstrate how healthy their soil is. This soil index helps us to contribute to healthy farms, to the preservation of the value of agricultural land, and

to affordable groundwater extraction. This in turn reduces risks for the farmer, and measuring the performance also creates business and financing opportunities such as Sustainability Linked Loans.

Our [Biodiversity Monitor for Dairy Farming](#) aims to help restore biodiversity in agriculture, in partnership with Friesland Campina and WWF. Additionally, in 2021 we also created the Biodiversity Monitor for Arable Farming. 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 in 2021 together with 25 other financial institutions.

In the Netherlands, we are facing multiple challenges with regard to the food transition that are interconnected with the climate and energy transition. In 2021, we contributed to the ongoing debate regarding Food and Agriculture in the Netherlands by staying in close contact and having dialogues with key partners and politicians. We participated in a EUR 70 million fund together with the Nederlandse Waterschapsbank (NWB Bank) which focuses on, among others, the conservation of biodiversity and reduction of Methane and Nitrogen emissions, and which has a specific target of reducing 2 Megaton of CO2 equivalent.

### IDH Farm Fit fund

In the IDH Farmfit Fund, Rabobank, and FMO invest in small-scale farming in Africa, Asia, and Latin America. Rabobank has committed 10 million to the 100 million fund that aims to build a bridge between small-scale farms and our financial services.

### Climate and the Energy Transition

The transition towards a more sustainable supply and consumption of energy is urgently needed to address climate change, and to suppress the negative effects it is already causing. Both climate change mitigation as well as climate adaptation are required. Mitigation requires both a shift to a more sustainable energy production as well as to 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.

In 2021, we became a member of the Taskforce on Nature-related Financial Disclosures. This taskforce is the counterpart of the Taskforce on Climate-related Financial Disclosure, aiming to deliver a risk management and disclosure framework for organizations to report and act on nature-related risks. In addition, we continue our partnership with the WWF.

In 2021 we committed ourselves to the goals of the Net Zero Banking Alliance (NZBA), which brings together existing and new net-zero finance initiatives into one sector-wide strategic forum: The Glasgow Financial Alliance for Net Zero (GFANZ). By joining the NZBA we have committed to publishing our Paris Alignment/net-zero targets including 2030 targets and a net-zero 2050 target, with intermediary targets to be set every five years from 2030 onward.

### **COP26**

In relation to Climate, COP26 and the alarming IPCC report ("AR6") which was published out this year, we participated in COP26 and in anticipation we offered the following recommendations through a [position paper](#) for international regulators and policymakers:

1. Make sectoral transition road maps and set legally binding restrictions on emissions;
2. Price green-house gases and strengthen the European Trade System for emissions;
3. Foster international convergence on taxonomy, data requirements, disclosure standards, and requirements for use of climate scenario's;
4. Safeguard a just and inclusive transition;
5. Provide ready access to public ESG data, and
6. Recalibrate capital requirements where needed, on risk basis.

### **Going Forward - Our Road to Paris**

In 2019, Rabobank signed the Commitment of the Financial Sector to the Dutch Climate Agreement (the commitment) together with 50 other financial institutions. Moreover, we are committed to the goals of the Paris Agreement, and consider it a shared responsibility to take action. By doing so, we have committed to mandatory reporting on the climate impact of our loans and investments from 2020 onward, as well as to have action plans in place by 2022 that contribute to reducing CO2 emissions of our loans and investments. In 2021, we developed the first iteration of climate risk heatmaps. We linked climate risk data with credit exposures to identify climate-risk hot spots in the portfolio. These hot spots will provide the basis for further deep dives. In the next iterations of the heatmaps more climate related physical risk events and transition risks will be added. Also environmental risk will be part of the next iterations. In addition, we are also setting the first steps towards developing client level emission data (proxies). We aim to combine top-down sector data with bottom-up Life Cycle Assessment data for the Food and Agriculture portfolio and are developing carbon dashboards for several Dutch Food and Agriculture sectors.

In our [Impact Report 2021](#), we describe our approach to Paris Alignment and lay-out this approach for the sectors: Dairy, Mortgages, and Power Generation. We will continue to report on the progress of our Climate Program and expect to include more granular emissions data in future reporting. We expect to publish our integrated Road to Paris report in the second half of 2022.

### **Our Own Performance on Climate Emissions**

In 2021, we reduced our CO2 emissions with 24.5 tons (2020: - 43.8 tons) related to our own operations. For more information please refer to our [ESG Facts & Figures](#). We also partly compensated our emissions through the purchase of, among others, "VCS/Verra Registry" certified CO2 credits. We submitted a Scope 1 and 2 intensity target that is aligned with a 1.5-degree Celsius scenario under the Absolute Contraction Approach.

### **Transition to a More Inclusive Society**

#### **Strengthening the Vitality of Local Communities**

Low incomes, reduced support, and less economic solidarity combined with the impact of further digitization of society are eroding social cohesion. These factors contribute to a more individualized society, more social stress, and loss of financial well-being, particularly within the more vulnerable groups in society. Vital local communities should contribute to a more inclusive society. This is why we do research on the broad perspective on prosperity and aim to have impact on what matters to the members of regional communities. We are and continue to be active and present in the regions and local communities.

In this transition to a more inclusive society, partnerships are key to managing the many aspects of financial well-being. Therefore, we partner with the key stakeholders in the Netherlands Nibud and Humanitas. Furthermore, we are part of the Schuldhulproute. This Dutch Debt Relief Route (NSR) is a systemic path to appropriate debt relief for all people in the Netherlands. Companies – including banks –, municipalities and partners from the debt domain work together with the aim of: preventing payment problems from turning into debt worries.

#### **Rabo Club Support**

We support associations by sponsoring and by Rabobank Club Support, an initiative in which clubs and associations can raise money for their organization by getting Rabobank members to vote for their project. After we started our campaign in Q3 2021, more than 30,000 associations and clubs participated in Rabo Club Support and around half a million members

voted for their club. Together they received EUR 13 million out of the Rabobank Cooperative Dividend for projects such as renovating club buildings.

### Health and well-being

In addition to our local contributions via Rabobank Club Support, we try to help people gain a better understanding of health and well-being - both in terms of food and financial health. This combines our efforts in the food transition and the transition to a more inclusive society.

### Rabo Community Fund

Our key differentiator as a cooperative in the Netherlands and our role in local communities also applies internationally. In 2021, Rabobank Australia and New Zealand established the Rabo Community Fund. Its purpose is to invest in the vitality of the rural communities in which our clients and staff live. We do this by activating meaningful initiatives focused on issues identified by our Client Councils. With the establishment of the Rabo Community Fund, we have a dedicated financial pool to increase our impact in rural communities.

## Sustainability Policy and Ratings

The Sustainability Policy Framework is designed with all our stakeholders in mind. It forms the basis of our sustainability standards for business relationships, and for providing financial products and services. Our sustainability policies align with the OECD (Organization for Economic Co-operation and Development) Guidelines for Multinational Enterprises and describe our ambition to neither cause nor contribute to adverse social and environmental impact. In 2021, we updated the policy in accordance with stakeholders' expectations. It outlines what we expect from our clients and partners with regard to sustainability and also guides our own activities. The policy has four components, namely:

- The overarching policy framework that applies to all our clients and all our products and services;
- Core policies that apply to all clients and address key environmental, social, and administrative issues;
- Theme-based policies;
- Sectoral policies concerning specific sectors and production chains.

Our efforts to promote sustainability worldwide were recognized by Sustainalytics, which rated Rabobank second among a group of 413 diversified banks. Our RepTrak Reputation score on Social Impact decreased from 69.6 in Q4 2020 to 68.3 in Q4 2021. For more information on other sustainability ratings, please refer to [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 clients 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 clients through our Client Photo and Sustainability Matrix every year. For more information, please refer to [ESG facts and figures](#)). We expect our clients to respect and promote human rights in their business decisions, *as described in the UN Guiding Principles on Business and Human Rights (UNGPR)* and we expect them to influence their suppliers to do the same. If violations come to our attention, we engage with our clients to help them improve. As a last measure, we may terminate our relationship with a client. In 2021, we engaged with 19 clients on, among other things, negative environmental impacts in the supply chain. While this happened in earlier years, in 2021 we did not have cases in which the relationship with a client was terminated because the company could not comply with our sustainability policy. Unfortunately, it is not always possible to inform all the affected stakeholders about the measures taken and the results achieved, and there is work to be done to improve communication. For more information on these engagements, please also refer to [ESG facts and figures](#).

*Our Sustainability Policy Framework identifies our most salient human rights risks. Internationally, we are a leading financier of Food and 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.*

### Dilemma: Challenges Concerning Foreign Employees

Foreign employees in the Netherlands are often victims of labor rights violations. Rabobank may be involved as a service provider to their "hirers" and "agencies". For example, a temporary employment agency is often the housing provider, and withholds a disproportionately large part of the wages to cover housing costs. Loss of work for the employee often automatically means loss of housing and access to health care.

What additional effort (screening, guidance and possible rejection) can be expected from Rabobank as gatekeeper in combating these violations?

The British Modern Slavery Act already sets requirements for banks to assess possible violations. We can expect similar legislation to be introduced in the Netherlands. Our colleagues with customer contact must know how to act in difficult situations.

*Ethics Committee, 10-13-2021*

## Ethics and Integrity

In order to recover and regenerate 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 attention of 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 5 times in 2021. 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.

## Rabobank and the United Nations Principles for Responsible Banking

We became a 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 for the first time within at the latest 18 months after signing, and annually thereafter. As such, we published [our first reporting and self-assessment template](#) in March 2021. The self-assessment template lists six principles that are key to demonstrating fulfillment of the commitments as a signatory of the Principles for Responsible Banking.

## Impact

We follow the guidance and methodology as proposed by the UNEP FI Portfolio Impact Analysis Tool for Banks. This year we have progressed to use the impact analysis as part of the assessment for material themes which constitutes the basis of our reporting.

A summary of the impact analysis can be found in [ESG Facts & Figures](#). The impact analysis has been performed on the exposures in Australia, Brazil, New Zealand, The Netherlands and the United States which together account for a significant majority of the on-balance loan book exposure. Additionally, we performed a high-over analysis of other assets on our balance sheet regarding potential climate impacts (or climate-materiality), which are disclosed in our climate commitment disclosure of progress. Regarding the impact area climate, we have thus assessed all assets and with the impact analysis we have analyzed the loan book in high detail.

As part of the UNEP FI Portfolio Impact Analysis tool for Banks, country context is being taken into account. We have strengthened this analysis as part of the inclusion of the analysis into the materiality analysis methodology. Apart from desk research, we included multiple stakeholder conversation outcomes from different geographies in the analysis as well. As such, we identified material themes taking a worldwide scope.

As part of the methodology on materiality assessment, we ranked the impact areas on their potential positive and negative impact based on related exposure to the impact areas. In order to do this, we have departed slightly from the UNEP FI Impact Tool for Banks method but have reviewed the outcomes to test for salience. See the disclosure Methodology on Materiality Assessment for the full list. Importantly, the two main impact areas identified last year (Climate, Inclusive & Healthy Economies) still remain in the top five.

## Target Setting

Our targets have the potential to have impact beyond the scope of the mentioned impact areas. We support both the Dutch Climate Agreement and the Paris Agreement and we have set targets to reduce our carbon footprint. We have set targets on the impact area Inclusive and Healthy Economies and monitor quantitative indicators related to customer and client satisfaction, financial performance, digitization, and sustainable finance. Our [Impact Report](#) provides an overview of SDG impacts, reporting, and targets.





## *Rock-Solid Bank*

As a bank, we obviously have a responsibility to society to do things properly. We urge everyone who works for us to always behave professionally and remain aware of the risks involved in banking. We also take our role as a gatekeeper against misuse of our products and services (e.g. fraud and money laundering) extremely seriously.



# Rock-Solid Bank

## Ratings

S&P **A+** Moody's **Aa2** Fitch **A+** DBRS **AA low**

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Sustainalytics ESG Risk Rating  
**2 out of 413**

## Results 2021

as of December 31, 2021

**17.4%** Fully loaded CET1 ratio

**8.8%** RoE

**63.8%** Cost/income ratio  
*including regulatory levies*

## Ambitions 2024

>14%

>6-7%

>low 60%



*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.*

## Financial Capital & Funding

### Equity

**€ 43.4**  
billion

2020 EUR 40.6 billion

### Deposits from customers

**€ 372**  
billion

2020 EUR 361 billion

### Wholesale funding

**€ 122**  
billion

2020 EUR 131 billion

## Loan Portfolio

### Private Sector Loan Portfolio

**€ 417**  
billion

2020 EUR 409 billion

2%

### Volume of Loans to F&A

**€ 103**  
billion

2020 EUR 95 billion

8%

### Volume of Loans to Trade, Industry and Services

**€ 109**  
billion

2020 EUR 111 billion

-2%

### Net profit

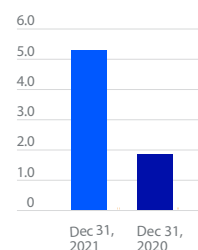
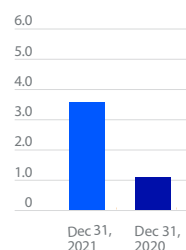
**€ 3,692**  
million

2020 EUR 1,096

### Underlying Profit Before Tax

**€ 5,244**  
million

2020 EUR 1,898



## Rock-Solid Bank

**Being a rock-solid bank is a cornerstone of our strategy. We strive to do the right things well, or even exceptionally well, with everyone taking ownership and remaining conscious of risks<sup>1</sup>. Despite all of the uncertainties surrounding Covid-19, we were able to show strong results in 2021. We have been able to further strengthen our core and we have a solid foundation to meet the challenges of the coming years.**

### Progress on Our Financial Ambitions

Our particularly strong results in 2021 are in striking contrast to our financial performance in 2020. In that difficult year our results were still strongly depressed by the (expected) effects of Covid-19 on the economy, on our clients, on the financial sector, and on Rabobank. However, despite the restrictive measures still in place for much of the year, the economy recovered strongly in 2021. This economic rebound was due to, among other things, the increasing vaccination coverage and the extension of various government support measures. As a result, the anticipated deterioration in credit quality did not materialize in 2021.

| <i>Financial Ambitions</i>   |            |            |               |                      |
|------------------------------|------------|------------|---------------|----------------------|
|                              | 12-31-2021 | 12-31-2020 | Ambition 2024 | Ambition longer term |
| <b>CET1 ratio</b>            | 17.4%      | 16.8%      | >14%          | >14%                 |
| <b>RoE</b>                   | 8.8%       | 2.7%       | 6-7%          | >8%                  |
| <b>C/I ratio<sup>1</sup></b> | 63.8%      | 65.8%      | low 60%       | mid 50%              |

<sup>1</sup> cost/income ratio including regulatory levies

The robust economic recovery contributed to a return on equity (RoE) of 8.8% (2020: 2.7%), which is above our long term ambition level of more than 8%. The cost/income ratio landed at 63.8% (2020: 65.8%). Income increased significantly and was driven by strong business performance, the benefits derived from our participation in the Targeted Longer-Term Refinancing Operations (TLTRO) III program, and by the positive revaluations of our equity participations due to improved market conditions. This positive development is partly offset by the negative interest rate environment, which is putting pressure on our revenues. This effect is expected to remain tangible in the coming years. Additionally, our net fee and commission income rebounded compared to 2020. Our capital position remained rock-solid and secure, providing the foundation to continue to support our clients. Our CET1

ratio increased to 17.4% and remained comfortably above our longer-term ambition of >14%.

### Our Strong Results in Context

The extraordinarily positive results for 2021 must be put in context. For Rabobank, the year 2021 was dominated by recovery after the weak results of 2020. Income rebounded as market activity picked up again and impairment charges were historically low as the anticipated deterioration of our asset quality did not materialize. The results for 2021 can therefore only be assessed meaningfully when the past year is also taken into account. Furthermore, there are currently many uncertainties surrounding Covid-19 and possible effects that may still occur in the coming years. The spread of new variants of the coronavirus continues to cause uncertainty in large parts of the world and it is not yet possible to see the end of all restrictive measures. It is also not completely clear yet what the effects will be when the Dutch government support packages are definitively phased out. We therefore remain alert about our cost of risk because the credit quality of our loan portfolio could still be impacted in 2022 and the years after.

In addition to the Covid-19 pandemic, the negative interest rate environment remains a fact to take into account. As indicated before, we expect the negative interest rate levels to put further pressure on the traditional banking model in the coming years. In addition, further structural challenges to the banking sector will continue to affect us, in the shape of: extensive regulations for banks, competition from new (digital) non-banks, and cyber-banks.

### Exceptional Distribution Rabobank Certificates

On December 15, 2020 the ECB issued a recommendation to banks to refrain from or limit dividends until at least September 30, 2021. This recommendation arose from the uncertainty that continued to prevail in 2020 about the economic impact of Covid-19. The ECB recommended that banks should exercise prudence when deciding on or paying out dividends. We adhered to this recommendation and paid a quarterly distribution of EUR 0.13674 per Rabobank Certificate on March 29 2021, June 29 2021, and September 29, 2021 respectively. On July 23, 2021 the ECB announced that it would not extend the recommendation to limit distributions beyond September 30, 2021. As a result, we made an exceptional distribution of EUR 1.21478 per Rabobank Certificate on December 29, 2021, and will revert to our payment policy as of 2022.

<sup>1</sup> For disclosure of relevant risks and the way we manage these risks, please see the [Risk Management](#) section of this report.

## Strengthening the Core

Over the last years, we have taken several steps to further increase effectiveness and efficiency throughout our organization. We implemented a new operating model for our operations in the Netherlands. This and other initiatives have resulted in a reduction of approximately 10,000 FTEs in our staff numbers since 2015. Meanwhile, the low interest rate environment will continue to negatively affect our income development in the coming years. In 2021, our cost/income ratio, including regulatory levies, improved by 2.0 percentage point to 63.8% (2020: 65.8%). Several exceptional items<sup>1</sup> affected our cost/income ratio. We made adjustments for these items in our calculation of the underlying cost/income ratio, which amounted to 60.4% (2020: 64.5%).

In 2021, operating expenses were higher than in 2020, but this was largely the result of some large exceptional items and a large VAT refund in 2020. Our costs have been falling structurally for years. We continue to focus on achieving a further decline in cost levels in the coming years. To that end, we introduced the "We Improve Now" (WIN) program in 2020. Our ambition is to realize gross savings of at least EUR 900 million by 2024 and to create a simplified and more efficient organization. We made good progress delivering on various WIN initiatives in 2021 as illustrated by the following examples:

- Further enhancement and simplification of the governance model by concentrating banking and cooperative activities in 14 regions in the Netherlands and head office;
- Further progress in downsizing of our traditional retail branch network in the Netherlands;
- Implementation of new client service models and digital customer journeys;
- Reduction of our footprint and concentration of our presence within international locations (closed e.g. Malaysia and India offices);
- Optimization of IT organization and resources, decommissioning of legacy systems and accelerated migration to the cloud;
- Overall cost awareness and reduction in external spend budgets (e.g. marketing, sponsoring, consultancy).

The FTE reductions and savings realized in 2021 under the WIN program, were nonetheless offset by investments and new hires related to business growth and our regulatory agenda

(e.g. KYC/AML). We continue to invest in our role as gatekeeper to the financial system and in advanced KYC technology. For our efforts to resolve backlogs in client due diligence and transaction monitoring (part of our KYC program), we recognized a provision of EUR 249 million.

As part of our drive to further simplify the operating model we already consolidated operations in several markets. Recently, we also announced our decision to wind down our India wholesale banking activities. We maintain our presence in India through the Rabo Foundation, where we continue our support of local smallholder farmers. We remain committed to being a global Food and Agriculture bank and Asia plays an important part in this strategy. In an increasingly competitive banking environment, we will continue to execute our strategy of centralizing operations and simplifying the bank.

We remain focused on making our business even fitter and stronger. In that respect, it is key to continually review and validate our strategic positioning and service provision in light of ever-changing market and societal conditions. In 2021, this resulted in the decision to discontinue our international direct banking operation in Europe (IDB Europe). This funding source has been integral in providing the necessary liquidity for our banking operations in Europe. Market conditions have nevertheless changed immensely in the last several years through a combination of a low interest rate environment, strong savings in the Netherlands and a more diversified mix of wholesale funding. This ultimately means that such a funding source is no longer necessary. In the second half of 2021 we finalized the off-boarding of our German clients and we expect the ultimate wind down of IDB Belgium to be completed in the course of 2022.

## Solid Asset Quality

Despite the Covid-19 pandemic, our asset quality has remained sound. Since the outbreak of this pandemic, we have continually assessed its impact on sectors in our loan portfolio. Based on the current status and on the future outlook per sector, some sectors were identified as "vulnerable." Compared to last year the private sector loan portfolio quality further improved, as total exposure to vulnerable sectors decreased by 37% in 2021. This improvement was mainly driven by better performing sub-sectors and because we consider less (sub)sectors vulnerable as a result of improvement of the macroeconomic outlook. Of our total private sector loan

<sup>1</sup> The exceptional items include: the result on fair value items, restructuring expenses, expenses related to the interest rate derivatives recovery framework, a provision to compensate part of our clients with certain consumer credit products with a variable interest rate and a provision to enhance our KYC program and to resolve backlogs.

portfolio, only 2.3% (2021: 3.7%) was considered vulnerable at December 31, 2021. Business analyses and research indicate that Food and Agriculture sectors are less impacted by general economic developments and the Covid-19 crisis in particular compared to non-Food and Agriculture sectors. The outlook for Agriculture sectors classified as vulnerable in 2020 (e.g. Sugar and Maltsters) improved in 2021 due to commodity price increases and a higher demand. These sub-sectors are therefore no longer considered vulnerable.

Almost half of our private sector loan portfolio consists of Dutch residential mortgages. In 2021, despite the Covid-19 pandemic, this mortgage loan portfolio showed consistently strong performance. The quality of our residential mortgage loan portfolio remained high with non-performing loans (NPL) showing a continuing decreasing trend, with a NPL ratio decreasing to 0.3% (2020: 0.7%) on December 31, 2021. The impairment charges on financial assets in this portfolio showed a release of 4 basis points. Total house sales remained high but ended somewhat lower than the strong 2020 numbers. House prices increased by 14.9% on average in 2021 and are expected to be followed by a further 12.4% increase in 2022. In the long-term fundamentals of the Dutch housing market remain strong.

In recent years we have pursued an active NPL strategy and the results are becoming more and more tangible. Since the end of 2018 the amount of NPL decreased by almost one-third. In 2021 we saw a continuing downward trend with NPLs declining by EUR 4.7 billion to EUR 9.2 billion and the NPL ratio further improving to 1.6% (2020: 2.5%). The anticipated increase in inflow of NPLs in 2021 has not materialized. More resilient economies and continuing government support measures have contributed in preventing downgrades.

## Sound Capital and Liquidity Base

Our capital position remained strong in 2021. With a common equity tier 1 (CET 1) ratio of 17.4%, (2020: 16.8%) we amply meet the capital requirements and are well above our ambition level. This provides a solid starting point to absorb the risk weight floor for mortgages that will be imposed by DNB as of 2022 and other expected model changes reflecting the EBA guidelines that will increase risk-weighted assets (RWA) in 2022. Therefore, the remaining impact of Basel IV will be limited due to frontloading the impact of the mortgages floor and other model changes. The development of the CET 1 ratio was positively influenced by the addition of net profit to retained earnings. A capital deduction for the NPL backstop regulation was absorbed, with a negative impact on the CET1 ratio. Our RWA increased to EUR 211.9 (2020: 205.8) billion and had a downward effect on our CET1 ratio. The RWA increase was

driven by model changes, the absorption of the final TRIM impact and FX effects, while the RWA increase resulting from asset growth was offset by the better credit quality of assets.

Our 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 subordinated MREL buffer divided by RWA decreased slightly in 2021 from 30.2% to 29.9%, mainly due an increase in risk-weighted assets.

Our total outstanding wholesale funding has decreased by EUR 82 billion since year-end 2015 to EUR 122 billion on December 31, 2021. During these years, our funding mix has become more diversified as well. Therewith, our dependence on wholesale funding has been largely mitigated. We achieve a diversified wholesale funding by tapping different markets, maturities, currencies, and products. Focus on funding diversification remains a priority and is subject to economical considerations. Given the attractive economics and the strategic fit within the funding and liquidity framework, we have chosen to expand our participation in the Targeted Longer Term Refinancing Operations (TLTRO) III program by an additional EUR 15 billion in 2021, resulting in a total participation of EUR 55 billion.

At all times, we endeavor to protect ourselves against the impact of a potential liquidity crisis whatever the cause might be. Since the outbreak of the Covid-19 pandemic and the associated economic uncertainties, we have placed even more emphasis on this. Our efforts resulted in an increase of our readily available liquidity buffers far beyond the regulatory requirements, in order to protect ourselves and our clients. As a result, our Liquidity Coverage Ratio (LCR) remained high at 184% (2020: 193%). 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 149 (2020: 133) billion. This liquidity buffer consists of EUR 131 (2020: 119) 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 19 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.





## *Empowered Employees*

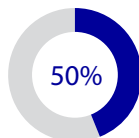
We can only make a truly meaningful contribution to the world if our employees enjoy doing what they are good at, in a working environment that provides room for diverse perspectives. This makes our employees proud, driven and motivated to represent Rabobank. They are also inspired by our mission to contribute to a better world. We strive to ensure that talented individuals who choose to work at Rabobank can continue to develop.



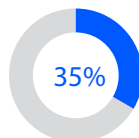
# Empowered Employees

## Diversity & Inclusion

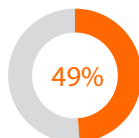
Percentage of women ...



in the  
Managing  
Board



in the first level  
below the  
Managing Board

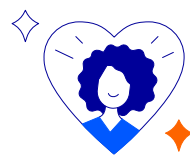


employed

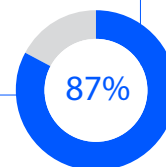
Gender Pay Gap

Adjusted Pay Gap

1.8%



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



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



## Number of Employees

Worldwide, as of December 31, 2021

43,361  
FTE

December 31, 2020 = 43,272

## Engagement Scan

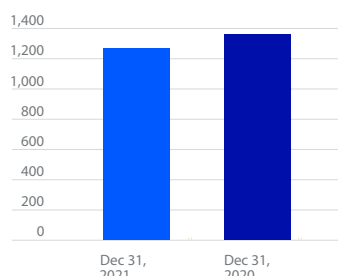
72

88% of our employees like going  
to work at Rabobank

## Training costs per FTE

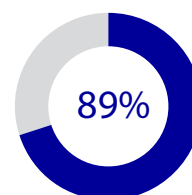
€ 1,250

2020 EUR 1,363



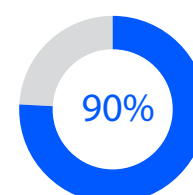
## % of redundant employees

... that wanted  
a job



... succeeded within  
6 months

... that wanted  
to start their own  
business



... succeeded within  
6 months

## Empowered Employees

**The pandemic still has a firm grip on society as well as on our employees. In the course of the pandemic, we have been monitoring the impact of these measures on our employees closely and, where possible, have lifted measures in the interest of increased well-being and engagement. However, we have also been looking into new ways of working in which we keep what works from the past and move to a new paradigm in hybrid working.**

### *Rabo@Anywhere*

In 2021 the launch of Rabo@Anywhere in the Netherlands embodied this approach. On the back of three principles, 1) digital first, 2) plan time with your team, and 3. Plan time to meet others (network), we encourage hybrid working that aims to accommodate the needs and requirements of individuals and teams alike. From the start of the pandemic, working remotely has been the starting point. In addition, employees can choose to go to RaboHouse (our offices) for work and collaboration. We keep the focus on our clients and we work on our mission and the cooperative, but with more flexibility in where and how we work. We will stay true to the @Anywhere principles, closely monitoring the effects to make improvements and iterate our approach towards success.

### [Dilemma: Young and/or New Employees Working From Home](#)

Covid-19 has had an impact on the working environment and, especially for young and new employees this may lead to uncomfortable situations. Many young people live in small houses or (student) apartments which potentially makes working from home difficult for them. It can also be difficult for new colleagues to find their way in the organization. As a result of long-term remote working, new colleagues may feel less involved in the bank's mission than was the case before Covid-19. Rabobank is still a popular employer, and we want to keep it that way. With this discussion in the Ethics Committee, we wanted to increase awareness of this problem in the organization and promote mutual understanding. After the discussion, various committee members took initiatives to make improvements in their domain, such as coaching trajectories.

*Ethics Committee, 02-03-2021*

## Employee Engagement and Well-being

Just like our clients we need to be able to adapt to the opportunities and risks that we face and remain agile in a changing environment. This also has an effect on our infrastructure, our strategic resource planning, and ultimately on our role as an employer. Past years have seen a number of structural changes with a deep impact on our organization, for instance, to the set-up of the local banks in the Netherlands and the reallocation of the responsibilities of the members of the Managing Board.

These necessary and urgent organizational changes have made us more resilient, but they have also inevitably increased the pressure on our employees, who were already dealing with the uncertainties of the pandemic. The resilience of our employees was challenged, but throughout 2021 we saw that our employees, in general, were able to cope with the stress and increasing demands.

We have been facilitating employees in meeting their changing needs and well-being by offering webinars, workshops, and coaching throughout 2021 when most of us continued to work remotely. We support teams in adjusting work agreements and rituals to online work, and promote walking meetings on the phone and regular breaks between online meetings. Where possible, we offer the occasional option to safely meet colleagues in person. Our latest Collective Labor Agreement (CLA) also includes a compensation for working from home. Employees who work from home on a permanent basis, receive a monthly (net) payment of EUR 40 based on (on average) five working days per week.

We saw our sick leave rates in the Netherlands increase to 3.9% in a rolling 12-month period Safety Standard from 3.4%. This was partly due to the societal effects of Covid-19 and remote working.

### [Engagement Scan](#)

We use the quarterly engagement scan globally for short cyclical measurement of employee engagement and organizational health. Each quarter around 29,000 employees give their feedback (Engagement Scan). In 2021, we saw an increase of employee engagement from 69 in Q4 2020 to 72 in the same quarter of 2021. The number of employees who report that they enjoy working at Rabobank slightly increased to 88% (2020: 81%). Our engagement scan showed growth in the overall engagement score, to the extent that the 2021 score was the highest score since the introduction of our engagement scan in 2017. In 2021, we switched to Effectory as provider of the engagement scan. They are a European leader

in employee feedback solutions and create the possibility for employees to benchmark their feedback against peers within Rabobank.

## Employee Skills and Future-Fit Employees

### Employee Development

Because investing in our employees is important to us and because we are competing with other employers for talent, we continue to focus on the development of our employees on the Rabobank Skills. Re-skilling and upskilling allow our employees to future-proof their skill sets, enabling them to design their own careers and contribute to the transition of Rabobank and to the realization of our strategic business goals.

In 2021, we expanded the offering of learning options, besides our required and recommended learning curriculum, and our facilities for development based on the development budget with our new personalized Percipio online learning platform.

We offer our employees growth options with a personal annual development budget. In 2021, we increased the development budget from EUR 1,000 to EUR 1,400 per year per employee. Additionally, in 2021, employees received a one-off development budget of EUR 1,800 instead of EUR 1,400. During 2020, we started by making many development opportunities digitally available. By the end of 2021, EUR 11.5 million (18.4%) of the total Personal Development Budget of 2021 was spent. The total budget for 2021 was EUR 62.4 million and consisted of a full year budget plus the unused part of the 2020 budget. The remainder of the 2021 development budget (EUR 50.9 million) can be saved for next year.

#### Number of Employees in the Netherlands

|             | Female | Male   | Unknown | Total  |
|-------------|--------|--------|---------|--------|
| Total:      | 13,485 | 14,689 | 4,590   | 32,764 |
| - Permanent | 11,965 | 12,279 | 3       | 24,247 |
| - Temporary | 739    | 742    | 1       | 1,482  |
| - External  | 781    | 1,668  | 4,586   | 7,035  |
| - Internal: | 12,704 | 13,021 | 4       | 25,729 |
| - Full-time | 8,079  | 12,522 | 4       | 20,605 |
| - Part-time | 4,625  | 499    | 0       | 5,124  |

Our Collective Labor Agreement (CLA) negotiations with the trade unions (De Unie, FNV Finance, and CNV Vakmensen) have resulted in a new CLA for 2021-2022, which was agreed upon in March 2021. 99% of our employees work under the CLA. Important changes include an overall raise of 1.5% for fixed salaries, 1% raise of the Employee Benefit Budget, and a refund for costs relating to working from home.

### Strategic Resource Planning

We want to secure ourselves of a future-fit workforce that contributes to the realization of our strategic business goals. To safeguard a future-fit workforce in a tightening (global) labor market we focus on two main areas.

- **Attract:** we continue to build on a strong, meaningful, and distinctive employer value proposition, both on Rabobank Group level as on the level of underlying strategic target groups. Moreover, we continuously monitor and evaluate our total reward proposition in relation to market developments.
- **Retain:** we continue to focus on the development of our employees on the Rabobank Skills. Re-skilling and upskilling allow our employees to future-proof their skill sets, enabling them to keep challenging themselves and retain their merit/value for the organization.

The "SamenWerkt!" Mobility Center supports employees whose jobs are becoming redundant in a number of 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 2021, 89% of the employees who had been made redundant and had applied for a new position, succeeded to find a job within six months, and 90% of the employees who wanted to start their own business achieved that goal within six months. In Q4 2020 we also set up T!M (Temporary Internal Mobility), which supports internal secondments. T!M focuses on employee development and is aimed at employees who are keen to broaden their horizon within the organization. In 2021 1,400 employees shared interest in exploring internal development possibilities by registering with T!M. 5-10% of these employees are redundant and 90-95% are the 'development target group' (employees who want to develop). In 2021 290 employees (40-45% redundant, 55-60% target group) actually started an internal secondment to gain experience and knowledge within the bank. Employees who have been in contact with T!M in 2021, rate them with a score of 8+/10.

## Employee Experience and Diversity

Attracting the right employees is crucial to realizing our strategy. Our Employer Value Proposition continues to be, and

needs to remain, strong and distinctive within the tightening labor market. In 2021, we scored very well in the Dutch Intermediary Favorite Employer Survey, where we came in first place in the category banks and accountants, just as we did in 2020 (#3 in 2019). We attribute our success in filling strategically important vacancies for the bank, to our labor market communications strategy, our online recruitment campaigns, and our ratings as an employer.

We want our cooperative mindset to be reflected in the way our employees believe that they are making a meaningful contribution to society. In the course of the year, we noticed that an increasing number of employees find that they are making a meaningful contribution.

### Diversity and Inclusion

At Rabobank, we firmly believe that with diversity and inclusion comes great strength. Diversity is not only good for our employees, but also for our bank and, ultimately, for society as a whole. As a cooperative organization, we are at the heart of society. From this position, we provide all talents with equal opportunities; we don't want to exclude anyone on the basis of gender, cultural background, disability, age, sexual preferences, or other personal characteristics. Everyone can blossom at Rabobank and use their talents to create a stronger bank in a better society. An important prerequisite for achieving more diversity is having an inclusive culture: a culture in which everyone can be themselves, and where employees feel respected and valued for who they are. In our engagement scan, 87% of employees indicated that they feel that they can be themselves in our organization.

As of 2021, Rabobank has a new single Global Policy on Diversity and Inclusion and a single Global Standard on Diversity and Inclusion. The policy reflects our position in society and, as a result, we can better align our services to our customers' needs. The Diversity Board ensures the commitment and involvement of the senior management. The board is chaired and vice-chaired by members of the Managing Board. The Diversity Board meets every quarter to discuss the issues related to Diversity and Inclusion. The board may take additional actions or measures as a result.

As a consequence of the implementation of the Global Policy and Standard on Diversity and Inclusion, all regions and/or countries are asked to create an Annual Diversity and Inclusion Plan. This annual plan contains a regional/national vision on Diversity & Inclusion, as well as local challenges, actions, and targets.

Even though diversity is broader than sex/gender, we are proud that 50% of our Managing Board members are women and that women make up 35% of the level below the Managing Board. This is in line with the upcoming diversity law that is expected to come into effect in 2022 in the Netherlands.

### Gender Diversity

| % Women in:                          | 2021 | 2020 | 2019 | 2018 |
|--------------------------------------|------|------|------|------|
| Supervisory Board                    | 33%  | 38%  | 38%  | 44%  |
| Managing Board                       | 50%  | 44%  | 40%  | 40%  |
| First level below the Managing Board | 35%  | 33%  | 33%  | 31%  |

In 2021, we continued our dialogues with our employees, for instance at the Global Diversity Day and through our inclusion agents. Around 28 inclusion agents (colleagues in the bank) held more than 50 dialogues in 2021. We aim to expand the network and number of agents next year.

As an employer, we are committed to equal opportunities. In 2021 research showed a 23.9% unadjusted pay gap and an adjusted pay gap of 1.8%. The factors of influences on the unadjusted pay gap include function, hours contractually worked, length of service, and employee age, and are primarily impacted by the distribution of men and women in our workforce. 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. In April 2021, we achieved our first goal of offering 60 holders of residence permits a prospect of employment, to date we have employed 53 of them.

### Diversity Networks at Rabobank

There are multiple diversity networks at Rabobank. Diversity can be found on multiple levels and dimensions. Below, are the networks representing various groups of employees. They serve as a sounding board for the organization. In this way, they help employees to feel heard and represented.

### Networks for Diversity & Inclusion at Rabobank

| Network - for...  | Members<br>(employees) |
|---|------------------------|
| GLOBO - international colleagues                                    | 300                    |
| RAP aan de Slag - colleagues with physical and/or mental challenges | 235                    |
| Rainbow - LGBT+   | 200                    |
| Jong Rabo - colleagues under the age of 36                          | 1,150                  |
| Kleurrijk Rabo - culturally diverse backgrounds                     | 350                    |
| Rabo Active - community for employees above the age of 35           | 170                    |
| Rabo Women - empowering women                                       | 18,000                 |

#### Dilemma: Art Collection

Rabobank manages an art collection that aims to "bring the outside world in". Art can be controversial. We have received complaints about specific works of art from employees who have found them offensive and have sought their removal from public spaces.

The Ethics Committee attaches great importance to a safe working environment, even though everyone experiences this concept differently. We are considering the possibility of displaying controversial art in a separate space, making viewing those works of art a matter of choice. That space would also facilitate conversations about art.

*Ethics Committee, 06-16-2021*

Arbeidsverhoudingen) handled 16 new cases. The internal trusted persons handled 87 cases. The Social Plan Central Appeals Committee handled 7 formal appeals, and the Executive Appeals Committee handled 3 cases.

## Speak up and Employee Voice

Rabobank aims to offer a safe working environment in which people are able to speak up freely about concerns, work-related problems, undesired behavior, misconduct, and other irregularities. The departments "Bureau Speak Up" and "Just Ask" offer worldwide 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. Following 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.

In 2021, Speak Up handled 103 new requests (2020:93). Just Ask handled 166 cases (2020:176); this number is made up of reports under the Industrial Relations Disputes Procedure and issues that are HR related. The Industrial Relations Disputes Committee (Geschillencommissie



# Our Financial Performance

## Rabobank

Our particularly strong results in 2021 are in striking contrast to our financial performance in 2020. In that difficult year our results were still strongly depressed by the (expected) effects of Covid-19 on the economy, on our customers, on the financial sector, and on Rabobank. However, despite the restrictive measures that were in place for much of the year, the economy recovered strongly in 2021. This economic rebound was due to, among other things, the increasing vaccination rate and the extension of various government support measures. As a result, the anticipated deterioration in credit quality did not materialize in 2021, resulting in a net release of impairment charges on financial assets of EUR 474 million (minus 11 basis points) in 2021, which is EUR 2,387 million lower than in 2020.

Despite the continued negative impact of low interest rates on our revenues, total income increased by 13%. This out-performance was partly driven by the benefit from our participation in the Targeted Longer-Term Refinancing Operations (TLTRO) III program (EUR 334 million), and upward revaluations of our equity participations due to improved market conditions. Additionally, our net fee and commission income recovered strongly after a difficult 2020 and was EUR 228 million higher. All things considered, this resulted in a strong net profit of EUR 3,692 million, significantly higher than the 2020 level of EUR 1,096 million.

Our private sector loan portfolio grew by EUR 7.8 billion, largely driven by currency fluctuations. Deposits from retail and wholesale customers rose by EUR 11.0 billion. Deposits from customers in Domestic Retail Banking (DRB) increased by EUR 20.6 billion in 2021. Despite the pick-up in consumer spending, the general trend in the Dutch savings market is that restrictive measures and economic uncertainty due to Covid-19 have led to lower consumption levels.

Although our 2021 financial performance is sound and the economy recovered strongly, there are still many uncertainties. It is as yet unclear how definitively ending government measures will impact our clients, or how the spread of new variants of the coronavirus will develop in the near future. We therefore remain cautious about our cost of risk because the credit quality of our loan portfolio could still be impacted in 2022. In addition, the following structural challenges to the banking sector will continue to affect us in the coming years: extensive regulations for banks, competition from new (digital) non-banks, cyberrisks, and negative interest rates that are putting pressure on the traditional banking model.

## Financial Results of Rabobank

### Results

| Amounts in millions of euros                 | 12-31-2021    | 12-31-2020    | Change      |
|--|---------------|---------------|-------------|
| Net interest income                          | 8,351         | 7,997         | 4%          |
| Net fee and commission income                | 2,008         | 1,780         | 13%         |
| Other results                                | 1,810         | 1,005         | 80%         |
| <b>Total income</b>                          | <b>12,169</b> | <b>10,782</b> | <b>13%</b>  |
| Staff costs                                  | 4,657         | 4,684         | -1%         |
| Other administrative expenses                | 2,035         | 1,463         | 39%         |
| Depreciation and amortization                | 352           | 395           | -11%        |
| <b>Total operating expenses</b>              | <b>7,044</b>  | <b>6,542</b>  | <b>8%</b>   |
| <b>Gross result</b>                          | <b>5,125</b>  | <b>4,240</b>  | <b>21%</b>  |
| Impairment losses on goodwill and associates | 0             | 283           | -100%       |
| Impairment charges on financial assets       | (474)         | 1,913         | -125%       |
| Regulatory levies                            | 722           | 548           | 32%         |
| <b>Operating profit before tax</b>           | <b>4,877</b>  | <b>1,496</b>  | <b>226%</b> |
| Income tax                                   | 1,185         | 400           | 196%        |
| <b>Net profit</b>                            | <b>3,692</b>  | <b>1,096</b>  | <b>237%</b> |

|  |      |    |
|--|------|----|
| Impairment charges on financial assets (in basis points) | (11) | 46 |
|--|------|----|

### Ratios

|  |       |       |
|--|-------|-------|
| Cost/income ratio including regulatory levies            | 63.8% | 65.8% |
| Underlying cost/income ratio including regulatory levies | 60.4% | 64.5% |
| RoE  | 8.8%  | 2.7%  |

### Balance Sheet

| Amounts in billions of euros           |        |        |     |
|--|--------|--------|-----|
| Total assets                           | 639.6  | 632.3  | 1%  |
| Private sector loan portfolio          | 417.2  | 409.4  | 2%  |
| Deposits from customers                | 372.0  | 361.0  | 3%  |
| Number of internal employees (in FTEs) | 35,766 | 35,222 | 2%  |
| Number of external employees (in FTEs) | 7,595  | 8,050  | -6% |
| Total number of employees (in FTEs)    | 43,361 | 43,272 | 0%  |

on net interest income due to the persisting low interest rate environment, but this effect was to a large extent mitigated by the short term benefit from our participation in the TLTRO III program. Expenses were higher than last year and this increase is partly driven by a provision to resolve backlogs in client due diligence and transaction monitoring as part of our KYC program (EUR 249 million) and a provision to compensate part of our clients with certain consumer credit products with a variable interest rate (EUR 333 million). In addition, expenses in 2020 were tempered by an incidental VAT relief. The underlying operating profit before tax increased to EUR 5,244 (2020: 1,898) million and underlying cost/ income ratio – including regulatory levies – improved to 60.4% (2020: 64.5%).

### Development of Underlying Operating Profit Before Tax

| Amounts in millions of euros                  |                               | 12-31-2021    | 12-31-2020    |
|---|-------------------------------|---------------|---------------|
| <b>Income</b>                                 |                               | <b>12,169</b> | <b>10,782</b> |
| Adjustments to income                         | Fair value items <sup>1</sup> | (117)         | 136           |
| <b>Underlying income</b>                      |                               | <b>12,052</b> | <b>10,918</b> |
| <b>Operating expenses</b>                     |                               | <b>7,044</b>  | <b>6,542</b>  |
| Adjustments to expenses                       | Restructuring expenses        | (98)          | 71            |
|   | Derivatives framework         | -             | (18)          |
|   | Provision variable interest   | 333           | 0             |
|   | Provision KYC backlogs        | 249           | 0             |
| <b>Underlying expenses</b>                    |                               | <b>6,560</b>  | <b>6,489</b>  |
| <b>Underlying gross result</b>                |                               | <b>5,492</b>  | <b>4,429</b>  |
| Impairment losses on goodwill and associates  |                               | 0             | 283           |
| Adjustments to impairment losses on GW&A      | Impairment Achmea             | 0             | 213           |
| Underlying impairment losses on GW&A          |                               | 0             | 70            |
| Impairment charges on financial assets        |                               | (474)         | 1,913         |
| Regulatory levies                             |                               | 722           | 548           |
| <b>Operating profit before tax</b>            |                               | <b>4,877</b>  | <b>1,496</b>  |
| <b>Total adjustments</b>                      |                               | <b>367</b>    | <b>402</b>    |
| <b>Underlying operating profit before tax</b> |                               | <b>5,244</b>  | <b>1,898</b>  |

1 As of 2021, specific hedge accounting results are no longer recognized as exceptional item.

We retained EUR 2,910 (2020: 822) million of our net profit. Taxes amounted to EUR 1,185 (2020: 400) million at an effective tax rate of 24% (2020: 27%).

## Income Increased by 13%

### Persistent Pressure on Net Interest Income

Net interest income was EUR 8,351 (2020: 7,997) million, which is an increase of 4%. This performance includes the benefit from our participation in the TLTRO III program (EUR 334 million). Corrected for this benefit, our net interest income remained

## Notes to the Financial Results of Rabobank

### Net Profit Increased to EUR 3,692 Million

Our performance in 2021 was mainly driven by solid business performance, strong economic recovery, and a rebound in market activity. Net profit amounted to EUR 3,692 (2020: 1,096) million, which is a significant increase. Our income was 13% higher as fee income from event driven business rebounded, and improved market conditions resulted in positive revaluations of our equity participations and a strong performance of Rabo Investments. In addition, there was a release in impairment charges on financial assets as the anticipated deterioration in credit quality did not materialize in 2021. Our results were affected by the continued pressure

stable. The persistent negative interest rate environment continues to pressure our net interest income. The negative interest rates mainly impacted margins on savings and current accounts at Domestic Retail Banking (DRB). Net interest income at Wholesale and Rural (W&R) increased largely as a result of the TLTRO III benefit and increasing asset levels at Wholesale. The one-year rolling net interest margin, calculated by dividing net interest income by the average balance sheet total, decreased from 1.27% in 2020 to 1.26% in 2021. This number was negatively impacted by the higher balance sheet total due to our participation in the TLTRO III program, while the TLTRO III benefit had an upward effect.

#### Strong Rebound of Net Fee and Commission Income

Our net fee and commission income showed a strong rebound compared to 2020 and increased by 13% to EUR 2,008 (2020: 1,780) million. At DRB, net fee and commission income on payment accounts, investments, and mortgages increased. At W&R, net fee and commission income increased as event-driven business lines (i.e., Markets, M&A, and ECM) performed well in 2021. In 2020 these business lines experienced lower market activity due to the negative impact of the Covid-19 pandemic on the economy.

#### Other Results Increased Significantly

Other results ended up 80% higher compared to last year, at EUR 1,810 (2020: 1,005) million. The significant increase in these other results can be attributed to a strong rebound of the economy, which resulted in a positive asset revaluation of our stake in Mechanics Bank (EUR 151 million higher) and higher income on the well performing portfolio of Rabo Investments (EUR 342 million higher). In 2020 these items had a negative impact on our result. As a consequence of the strong housing market the returns on the activities of Bouwfonds Property Development (BPD) were positively impacted by higher volumes and improved margins. The improved result on fair value items also contributed to higher other results.

### Operating Expenses 8% Higher

#### Lower Staff Costs Despite Higher Headcount

In 2021, Rabobank's total staff numbers (including external hires) increased to 43,361 (2020: 43,272) FTEs. At DRB, total FTEs decreased since staff reductions in the branch network exceeded additional staffing for KYC and regulatory projects. To support business growth, staff numbers at W&R and Property Development increased. Staff costs decreased slightly to EUR 4,657 (2020: 4,684) million in line with a lower average staff level. Lower training, travel, and hotel costs as a result of Covid-19 restrictions also contributed to the decline in staff costs.

#### Higher Other Administrative Expenses

Total other administrative expenses increased to EUR 2,035 (2020: 1,463) million. In 2020 other administrative expenses at DRB and W&R were tempered by an incidental VAT relief. Following Kifid (Dutch Institute for Financial Disputes) rulings, we recognized that we did not consistently adjust our interest rates in accordance with a particular reference rate for a group of our consumer credit clients. Therefore, other administrative expenses include a provision of EUR 333 million to compensate part of our clients with certain consumer credit products with a variable interest rate. In addition, for our efforts to resolve backlogs in client due diligence and transaction monitoring (part of our KYC program), we recognized a provision of EUR 249 million. The increase in other administrative expenses was partly offset by lower restructuring expenses.

#### Depreciation and Amortization Down by 11%

Following lower depreciation on internally generated software, depreciation and amortization decreased to EUR 352 (2020: 395) million.

#### Impairment Charges on Financial Assets

In 2021, impairment charges on financial assets amounted to a net release of EUR 474 million. This represents a decrease of EUR 2,387 million compared to 2020. The anticipated deterioration in the credit quality of the business loan portfolio did not materialize in 2021, mainly due to the (extension of) government support measures, economic recovery, and the improved outlook. However, we remain cautious as the credit quality of our loan portfolio could still be impacted in 2022. Therefore, we decided to maintain Covid-19 related top-level adjustments to the impairment allowances for the performing part of our portfolio, although at a somewhat lower level than at year-end 2020.

On an annual basis, impairment charges on financial assets amounted to minus 11 (2020: 46) basis points, which is below the long-term average (period 2011-2020) of 31 basis points. More optimistic macroeconomic scenarios resulted in a decrease in impairment charges, especially in stage 1. Stage 3 impairment charges were also significantly lower than in 2020. Please see the "Risks Management" section for more details.

The amount of non-performing loans (NPL) decreased in 2021 to EUR 9.2 (2020: 13.9) billion. The NPL ratio was 1.6% (2020: 2.5%) and the NPL coverage ratio was 24% (2020: 23%). The decrease in NPL is mainly the result of the consistent execution of our NPL strategy and the limited inflow of newly impaired loans.

## Balance Sheet Developments

| <i>Balance Sheet</i>                |                   |                   |
|-------------------------------------|-------------------|-------------------|
| <i>Amounts in billions of euros</i> | <i>12-31-2021</i> | <i>12-31-2020</i> |
| Cash and cash equivalents           | 120.5             | 108.5             |
| Loans and advances to customers     | 436.5             | 436.2             |
| Financial assets                    | 18.5              | 20.1              |
| Loans and advances to banks         | 22.1              | 21.4              |
| Derivatives                         | 23.0              | 29.6              |
| Other assets                        | 19.0              | 16.5              |
| <b>Total assets</b>                 | <b>639.6</b>      | <b>632.3</b>      |
| Deposits from customers             | 372.0             | 361.0             |
| Debt securities in issue            | 108.7             | 113.5             |
| Deposits from banks                 | 73.0              | 61.2              |
| Derivatives                         | 18.7              | 28.4              |
| Financial liabilities               | 5.2               | 6.2               |
| Other liabilities                   | 18.5              | 21.3              |
| <b>Total liabilities</b>            | <b>596.2</b>      | <b>591.6</b>      |
| Equity                              | 43.4              | 40.6              |
| <b>Total liabilities and equity</b> | <b>639.6</b>      | <b>632.3</b>      |

### Private Sector Loan Portfolio Increased

Our private sector lending increased by EUR 7.8 billion to EUR 417.2 billion in 2021. Approximately EUR 5.3 billion of this increase is due to a positive FX impact. At DRB the mortgage portfolio remained relatively stable as strong new production compensated for the continued high level of (early) repayments. DRB's total private sector loan portfolio amounted to EUR 273.9 (2020: 271.3) billion. Corrected for FX effects, the W&R portfolio was fairly stable, whereas DLL's portfolio showed a moderate increase. The combined commercial real estate loan exposure across all segments amounted to EUR 20.7 (2020: 19.6) billion.

| <i>Loan Portfolio</i>                                    |                   |                   |
|--|-------------------|-------------------|
| <i>Amounts in billions of euros</i>                      | <i>12-31-2021</i> | <i>12-31-2020</i> |
| <b>Total loans and advances to customers</b>             | <b>436.5</b>      | <b>436.2</b>      |
| Of which to government clients                           | 2.0               | 2.0               |
| Reverse repurchase transactions and securities borrowing | 13.9              | 17.4              |
| Interest rate hedges (hedge accounting)                  | 3.4               | 7.4               |
| <b>Private sector loan portfolio</b>                     | <b>417.2</b>      | <b>409.4</b>      |
| Domestic Retail Banking                                  | 273.9             | 271.3             |
| Wholesale & Rural  | 108.6             | 105.9             |
| Leasing  | 34.5              | 31.9              |
| Property Development                                     | 0.1               | 0.1               |
| Other  | 0.1               | 0.2               |

The geographic split of the loan portfolio (based on the debtor's country of residence) on December 31, 2021, was as follows: 70% in the Netherlands, 10% 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<sup>1</sup>*

| <i>Amounts in billions of euros</i>   | <i>12-31-2021</i> |             | <i>12-31-2020</i> |             |
|---------------------------------------|-------------------|-------------|-------------------|-------------|
| Loans to private individuals          | 205.0             | 49%         | 202.9             | 50%         |
| Loans to trade, industry and services | 109.3             | 26%         | 111.0             | 27%         |
| <i>of which in the Netherlands</i>    | 74.5              |             | 76.1              |             |
| <i>of which in other countries</i>    | 34.7              |             | 34.9              |             |
| Loans to Food & Agri                  | 102.9             | 25%         | 95.5              | 23%         |
| <i>of which in the Netherlands</i>    | 35.7              |             | 32.8              |             |
| <i>of which in other countries</i>    | 67.2              |             | 62.6              |             |
| <b>Private sector loan portfolio</b>  | <b>417.2</b>      | <b>100%</b> | <b>409.4</b>      | <b>100%</b> |

1 In the country where the entity is established.

### Increase Deposits from Customers Continued

Total deposits from customers increased significantly to EUR 372.0 (2020: 361.0) billion. Our loan-to-deposit ratio (LTD ratio) is still historically low at 1.13 (2020: 1.12). Deposits from DRB customers increased to EUR 300.0 (2020: 279.4) billion, partly as a result of lower consumer spending due to the Covid-19 pandemic. Retail savings at DRB increased by EUR 9.3 billion to EUR 144.1 billion. Deposits from customers in other segments decreased to EUR 72.0 (2020: 81.7) billion. The somewhat higher volumes at Treasury were offset by a EUR 13.3 billion decrease in deposits at International Direct Banking (IDB). The latter can be explained by the decision to discontinue our direct banking operations in Europe.

### *Deposits from Customers*

| <i>Amounts in billions of euros</i>  | <i>12-31-2021</i> | <i>12-31-2020</i> |
|--------------------------------------|-------------------|-------------------|
| <b>Retail savings</b>                | <b>152.4</b>      | <b>155.9</b>      |
| Domestic Retail Banking              | 144.1             | 134.8             |
| Other segments                       | 8.3               | 21.1              |
| <b>Other deposits from customers</b> | <b>219.6</b>      | <b>205.1</b>      |
| Domestic Retail Banking              | 155.9             | 144.6             |
| Other segments                       | 63.7              | 60.6              |
| <b>Total deposits from customers</b> | <b>372.0</b>      | <b>361.0</b>      |

### Equity Up by 7%

Our equity increased to EUR 43.4 (2020: 40.6) billion driven by retained earnings in 2021. Our equity on December 31, 2021, consisted of retained earnings and reserves: 72% (2020: 69%), Rabobank Certificates: 18% (2020: 19%), Capital Securities: 9% (2020: 11%), and other non-controlling interests: 1% (2020: 1%).



### Development of Equity

Amounts in millions of euros

|   |               |
|---|---------------|
| <b>Equity at the end of December 2020</b>         | <b>40,632</b> |
| Net profit for the period                         | 3,692         |
| Other comprehensive income                        | 378           |
| Payments on Rabobank Certificates                 | (509)         |
| Payments on Capital Securities issued by Rabobank | (178)         |
| Issue of Capital Securities                       | 750           |
| Cost of issue Capital Securities                  | (4)           |
| Redemption of Capital Securities                  | (1,309)       |
| Other   | (50)          |
| <b>Equity at the end of December 2021</b>         | <b>43,402</b> |

### Wholesale Funding

We have been significantly reducing and diversifying our use of Wholesale funding over the past several years. Doing so makes Rabobank less sensitive to capital markets developments. In 2021, the amount of Wholesale funding decreased further to EUR 121.6 (2020: 131.4) billion. The main sources of Wholesale funding are short- and long-term issued debt securities. In 2021 we increased our participation in the TLTRO III program by EUR 15 billion to EUR 55 billion, of which we only substitute approximately EUR 6 billion for our wholesale funding.

# Capital Developments

## Maintaining a Strong Capital Position

| <i>Capital Ratios</i>  |                   |                   |
|--|-------------------|-------------------|
| <i>Amounts in millions of euros</i>  | <i>12-31-2021</i> | <i>12-31-2020</i> |
| Retained earnings  | 32,087            | 29,234            |
| Expected distributions   | (1)               | (2)               |
| Rabobank Certificates  | 7,825             | 7,822             |
| Part of non-controlling interest treated as qualifying capital               | 0                 | 0                 |
| Reserves   | (990)             | (1,382)           |
| Regulatory adjustments   | (2,097)           | (1,080)           |
| Transition guidance  | 22                | 55                |
| <b>Common equity tier 1 capital</b>  | <b>36,846</b>     | <b>34,647</b>     |
| Capital securities   | 3,978             | 4,441             |
| Grandfathered instruments  | 0                 | 41                |
| Non-controlling interests  | 0                 | 0                 |
| Regulatory adjustments   | (99)              | (67)              |
| Transition guidance  | 0                 | 0                 |
| <i>Additional tier 1 capital</i>   | <i>3,879</i>      | <i>4,415</i>      |
| <b>Tier 1 capital</b>  | <b>40,725</b>     | <b>39,062</b>     |
| Part of subordinated debt treated as qualifying capital                      | 7,356             | 10,816            |
| Non-controlling interests  | 0                 | 0                 |
| Regulatory adjustments   | (96)              | 33                |
| Transition guidance  | 0                 | (60)              |
| <b>Tier 2 capital</b>  | <b>7,260</b>      | <b>10,789</b>     |
| <b>Qualifying capital</b>  | <b>47,985</b>     | <b>49,851</b>     |
| <b>Risk-weighted assets</b>  | <b>211,855</b>    | <b>205,773</b>    |
| Common equity tier 1 ratio   | 17.4%             | 16.8%             |
| Tier 1 ratio   | 19.2%             | 19.0%             |
| MREL buffer  | 29.9%             | 30.2%             |
| Total capital ratio  | 22.6%             | 24.2%             |
| Equity capital ratio   | 18.8%             | 18.0%             |
| Common equity tier 1 ratio of Coöperatieve Rabobank U.A. solo (issuer level) | 16.2%             | 16.0%             |

On December 31, 2021, our CET 1 ratio amounted to 17.4% (2020: 16.8%). This is well above our >14% ambition. This provides a solid foundation to absorb the macroprudential risk weight floor for mortgages that will be imposed by DNB as of 2022. The development of the CET 1 ratio was positively influenced by the addition of net profit to retained earnings. We absorbed a capital deduction for the NPL backstop regulation, which had a negative impact on the CET1 ratio. RWA increased by roughly EUR 6 billion and had a downward effect on our CET 1 ratio.

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, 2021 was 7.3% (2020: 7.0%), which is well above the minimum leverage ratio of 3% required by the Basel III guidelines. In line with our capital strategy, we issued non-preferred senior (NPS) instruments to meet (future) requirements regarding the minimum requirement of own funds and eligible liabilities (MREL). In line with our intentions, our total capital ratio decreased to 22.6% (2020: 24.2%), following the call of a EUR 2 billion tier 2 instrument, a tender on four tier 2 instruments and the amortization of the eligible amount of outstanding tier 2 instruments. We will allow our total capital ratio to trend down in the longer term, deeming a 20% level appropriate.

### Risk-weighted Assets

The strong capital ratios enable us to absorb RWA increases, including Basel IV in the upcoming years. In 2021, overall RWA increased to EUR 211.9 (2020: 205.8) billion. In 2022, we expect an increase in RWA due to, among other things, the macroprudential risk weight floor for mortgages, and changes reflecting the EBA guidelines, as well as other model developments. These increases could be considerable, which effectively will lead to a further acceleration of the expected impact from Basel IV.

The implementation of Basel IV has been postponed to 2025. This postponement allows us additional time to prepare for and mitigate the impact. We currently estimate a remaining Basel IV impact of 5-10% RWA (after absorption of the implementation of the macroprudential add-on for mortgages). We based this estimate 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.

### Regulatory Capital

Our regulatory capital requirement is 8% of our RWA. 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 16.9 (2020: 16.5) billion on December 31, 2021, of which 84% related to credit and transfer risk, 13% to operational risk, and 3% to market risk.

### Regulatory Capital by Business Segment

| Amounts in billions of euros | 12-31-2021  | 12-31-2020  |
|------------------------------|-------------|-------------|
| Domestic Retail Banking      | 5.7         | 5.9         |
| Wholesale & Rural            | 7.0         | 6.4         |
| Leasing                      | 1.6         | 1.6         |
| Property Development         | 0.3         | 0.3         |
| Other                        | 2.3         | 2.3         |
| <b>Rabobank</b>              | <b>16.9</b> | <b>16.5</b> |

### 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 NPS 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 MREL. The MREL requirement was established to ensure that banks in the EU 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. Our MREL requirement is 27.62% of RWA (including the stacked CBR) and 7.5% of Leverage Ratio Exposure, which must be met by January 1, 2022.

We aim to meet the requirement with qualifying capital (own funds), the (amortized part of) tier 2 capital instruments with a remaining maturity of at least one year, and NPS bonds with a remaining maturity of at least one year. The buffer increased from EUR 62.2 billion to EUR 63.4 billion due to profit retention and the issuance of new instruments, and corresponds to 29.9% (2020: 30.2%) of RWA. The actual overall MREL ratio is significantly higher as part of our preferred senior bonds qualify for MREL. Our additional MREL needs are manageable.

### MREL Eligible Capital Buffer

| Amounts in billions of euros   | 12-31-2021  | 12-31-2020  |
|--|-------------|-------------|
| Qualifying capital   | 48.0        | 49.9        |
| Non-qualifying grandfathered additional tier 1 capital                             | 0           | 0           |
| Amortized tier 2 >1 year remaining maturity  | 1.3         | 2.7         |
| Non-preferred senior bonds > 1 year remaining maturity                             | 14.1        | 9.7         |
| <b>MREL eligible capital and non-preferred senior bonds buffer</b>                 | <b>63.4</b> | <b>62.2</b> |
| Risk-weighted assets   | 211.9       | 205.8       |
| MREL eligible capital and non-preferred senior bonds buffer / risk-weighted assets | 29.9%       | 30.2%       |

# 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

- When the coronavirus flared up again in the Netherlands in the fall/winter of 2021, the Dutch government introduced additional restrictive measures. The economic damage from this winter wave is expected to be more modest than last year, due to higher vaccination rates and in general less stringent measures that would impact the economy;
- Global supply chain shortages and inflation are also posing challenges for the Dutch economy. Shortages of parts, strained transportation capacity, high energy prices and a labor mismatch all constrain economic capacity. If high inflation is not compensated by higher wages, consumer demand will be squeezed and this will put a brake on the economy without the need to increase rates by central banks. This could in turn affect our portfolios;
- We have identified labor scarcity and the competition for talent as emerging risk which results in high staff turnover and long outstanding vacancies in areas like IT, information security and data analytics;
- In 2021, we successfully de-risked our credit portfolio and restructured several activities. Multiple measures were implemented to actively manage the non-performing loan (NPL) portfolio, including change of exposure types and the sale of exposures on the secondary market. The

increased attention for vintage and average duration further contributed to a reduction of the NPL portfolio.

In the Dutch business lending area, NPL inflow was limited in 2021 which to some extent still reflects the effects of our own effective relief measures and direct government relief measures provided to our customers. Nonetheless, further effects of Covid-19 are expected to be seen in 2022 once current measures expire. Potentially vulnerable sectors are closely monitored. In the international Wholesale domain we saw a similar picture to Dutch business lending, with limited NPL inflow in 2021. Overall, the NPL portfolio is carefully monitored through risk appetite thresholds both in absolute terms and as a percentage of our portfolio and through close assessments of relevant regional or sectoral developments;

- Our press release of November 15, 2021 announced that Rabobank received a draft instruction (voorgenomen aanwijzing) from the Dutch Central Bank (DNB) on October 12, 2021. Subsequently, Rabobank received the instruction (aanwijzing) on December 23, 2021. In this instruction, DNB determines that Rabobank does not meet the requirements of the Dutch Anti-Money Laundering and Anti-Terrorist Financing Act (Wet ter voorkoming van witwassen en financiering van terrorisme, Wwft). DNB orders Rabobank to remedy deficiencies regarding its Dutch retail division's compliance with the Wwft by December 15, 2023 at the latest. We also announced on November 15, 2021 that DNB informed the bank that a separate punitive enforcement procedure would commence, the outcome of which is not yet known;
- In 2021 Rabobank designed a 5-year roadmap to embed climate-related and environmental risk across the bank. The roadmap aims to create awareness and expertise, and to expand disclosure on Climate and Environmental (C&E) risks. It includes business environment and business strategy, Governance, Risk Appetite, the Risk Management framework and Disclosure. The most important outcome of this effort is the first edition of the climate-related heatmaps on our portfolios, the preparation for the ECB Stress Test 2022 and the development of a framework on a client C&E risk assessments. The deliverables focus on structural improvement of data, monitoring and reporting;
- Cybercrime continues to represent a considerable challenge to our Bank. Technology becomes more complex, more interconnected and more intertwined. As the use of digital services continues to grow, it has become increasingly important to ensure the availability of the IT applications and infrastructure on which people depend,



while also ensuring data confidentiality. We constantly improve processes and technology to counter existing and future attack methods by applying the international accepted standards for information security, cyberthreats and IT-risks, and by developing the knowledge and expertise of our professionals. Also, we collaborate closely with other banks, security researchers, experts, and industry-leading organizations from all over the world to counter cyberattacks. Nevertheless, the inherent risks and threats are high and expose us to specific risks.

- Geopolitical tensions are undiminished and trade wars are reshaping the global economy. Shortages of parts, strained transportation capacity and high energy prices could have impact to our bank.

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 re-occurrence. 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 (3LoR).

First and foremost, the business (first line, including support functions) has ownership of the risks, which it manages, monitors and takes responsibility for. 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 the main risk types: credit risk, market risk, interest rate risk in the banking book, liquidity risk, business risk, and operational risk (including compliance, tax and legal risks). Risk identification, materiality assessment and classification allows for clear understanding and definitions of risks and promotes a common understanding of risk management. The risk appetite is determined for all material risks and are managed in alignment with the risk profile and 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 operational risks, enhanced cooperation with the business and well-informed decision-making.

### Risk 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. Furthermore Rabobank is committed to comply with internal

and external regulations and targets, aims to have an external credit rating comparable to the top-quartile of EU peers and has a top quartile liquidity management ambition.

### Risk Taxonomy

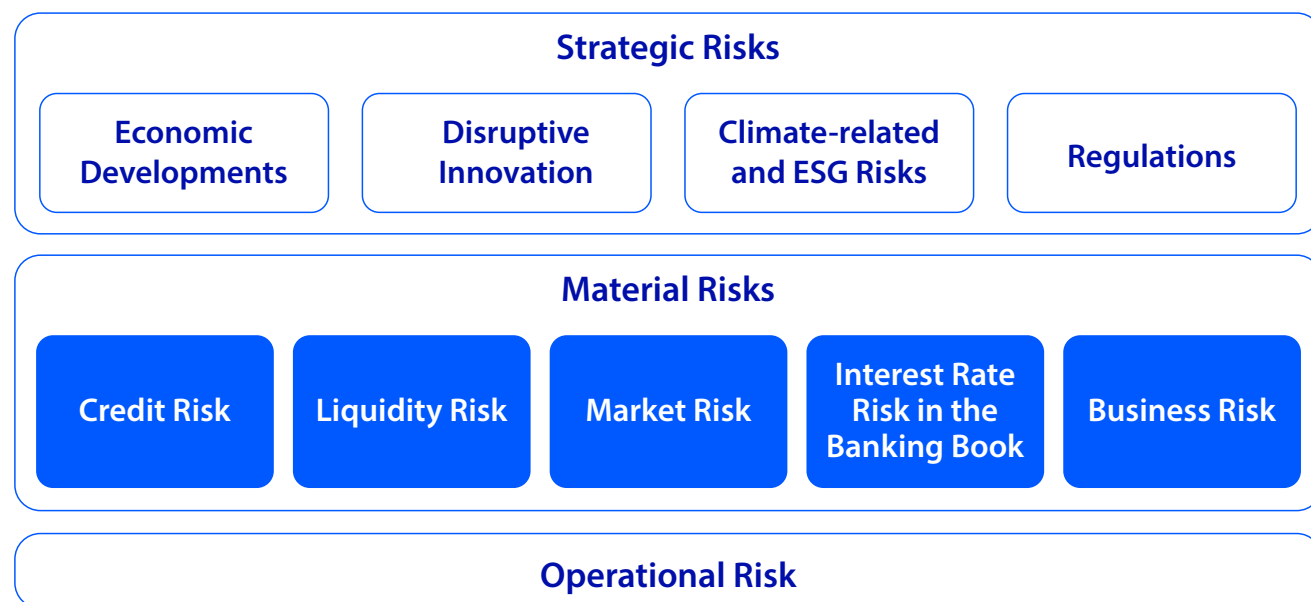
To deliver on the (risk) strategy, it is imperative that Rabobank knows the risks it is facing. Risk identification efforts performed by Rabobank in that respect, result in granular risks that are specific for time and context. All these risks are registered, assessed and mitigated when necessary and need to be mapped into a so-called 'Taxonomy', which lists and defines risk types and sub-types into hierarchies and enables categorization of identified risks.

The Taxonomy of Risk Types is a further specification of the risk types mentioned in the Risk Management Charter and therefore an integral part of that Risk Management

Charter. Risks that are assessed as material are directly or indirectly represented in the Risk Appetite Statement with a risk indicator.

In general, the figure below shows three dimensions for identifying risks:

- **Strategic Risks:** Developments that threaten to disrupt the assumptions and outcomes at the core of Rabobank's strategy.
- **Material Risks:** Risks that we consciously accept in order to gain benefit of the premium that the market offers for taking on those risks that is, risks for which we have a risk appetite.
- **Operational Risks:** 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.



### Risk Appetite

Our Risk Strategy is linked to a set of risk appetite statements directly linked to the Medium Term Planning 2022-2026 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 risk appetite on risk types 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 material types of risks inherent in our business model and strategic plan are actively identified, assessed, mitigated, and monitored. 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 (*will be replaced by Return on Equity in 2022*)
- MREL requirements
- Cost/income ratio
- Economic Capital headroom

The risk appetite is embedded across Rabobank within principles, policies, standards, (key) risk indicators, limits and controls. The combination of a breach management process and appropriate governance ensures an adequate and timely response to a risk growing towards/ beyond our risk appetite. The risk appetite (statement) 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 (MTP) over a 5 year period is carried out, while consciously accepting the risks arising from the business strategy as depicted in the Group MTP and entity MTPs.

In 2021 our Group risk appetite statement was categorized per identified risk type and further specified with Risk Appetite Statements and Key Risk Indicators (KRI).

### Group Risk Appetite Statement

| Risk Type                           | Group Risk Appetite Statement  | Examples of KRIs to support our Risk Appetite Statement  |
|-------------------------------------|--|--|
| Credit Risk                         | Rabobank maintains a profitable credit portfolio, with a controlled risk profile in order to limit the impact of impairment charges on the profitability and reputation of the bank. Rabobank manages concentrations in the credit portfolio with clear limits per country, sector and one-obligor, in order to ensure a low risk profile on concentration risk.   | <ul style="list-style-type: none"> <li>• Non-Performing Loans</li> <li>• Coverage Ratio Non-Performing Loans</li> <li>• Loan Impairment charges based on Adverse Stress Test</li> <li>• Average Probability of Default (Rating)</li> <li>• Top-15 Corporates as % of CET1</li> <li>• Concentration limit on Dairy, Residential and Commercial Real Estate</li> </ul>             |
| Liquidity Risk                      | In order to optimize funding availability and funding costs for our customer requirements, Rabobank has high quality and robust liquidity buffers and a diversified global funding base in terms of retail versus wholesale funds as well as in terms of investors, instruments, maturities, countries and currencies. Rabobank has enough funding sources or buffer capacity available to be able to survive stressed liquidity conditions over a short-term period without changing its business model. Rabobank has an optimally diversified funding portfolio and a balanced liquidity mismatch.   | <ul style="list-style-type: none"> <li>• Liquidity Coverage Ratio</li> <li>• Net Stable Funding Ratio</li> <li>• Loan to Deposit ratio</li> </ul>  |
| Market Risk                         | Rabobank aims for being modestly exposed to market movements in its trading environment. Rabobank aims for a limited FX Translation Risk impact of exchange rate movements on the Rabobank Group CET1-ratio.   | <ul style="list-style-type: none"> <li>• Event Risk Trading Book</li> <li>• Event Risk Underwriting</li> <li>• FX Basis Point Impact CET1-ratio</li> </ul>   |
| Interest Rate Risk                  | Following the strategy and the transformation role as retail bank, Rabobank accepts a significant level of interest rate risk, as this may be an important driver for the bank's profit. However, losses due to changes in interest rates should not threaten the financial stability of the bank. Rabobank does not foresee circumstances under which it would accept being labeled as an outlier under the current Supervisory Outlier Test.   | <ul style="list-style-type: none"> <li>• Earnings at Risk</li> <li>• Modified Duration of Equity</li> </ul>  |
| Business Risk                       | We are a strongly capitalized bank, with prudent buffers above regulatory requirements, to protect senior bondholders against the (unlikely) event of a bail-in. We do this at efficient costs and with sufficient flexibility for (re)allocation of capital between different portfolios, products and geographies. We achieve a solid performance, with limited volatility in earnings, based on a well-diversified asset portfolio in terms of products, sectors and geography. We price our risk well, allocate sufficient capital to growth themes, and we migrate to more effective (digital) services. Our operational efficiency is competitive; we do the right things well and are conscious of the risks we take. | <ul style="list-style-type: none"> <li>• Common Equity Tier 1 Ratio</li> <li>• Total Return on Invested Capital</li> </ul>   |
| 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. Rabobank has no appetite for doing business with, or facilitating transactions for, persons or organizations engaged in criminal activity or those which could negatively impact the bank's reputation, or could lead to sanctions and/or financial loss.   | <ul style="list-style-type: none"> <li>• Net Loss Amount Year to Date</li> <li>• Number of individual risks with an actual residual (medium-)high risk rating</li> <li>• The change in the percentage of high-risk clients in relation to the total client portfolio (quality of the control environment taken into consideration)</li> <li>• Score RepTrak indicator</li> </ul> |

### Risk Appetite and Risk Profile Performance

In pursuit of the right balance between (accepted) risk and reward, we aim to operate within risk appetite. The higher overall risk profile for Credit Risk, Business Risk and Operational Risk, indicates that to varying degrees we operate outside risk appetite. In addition to operating outside our appetite on some of our KRIs for Credit Risk, we currently observe potential risks due to inflation, shortages on the supply side and labor market shortages. Our position remains strong and adequately capitalized and with solid liquidity. For some Operational

Risk (including Compliance) indicators, we do not operate within our risk appetite and we may not be on all aspects adequately compliant with regulations. 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 2021



## Credit Risk

### Macroeconomic Environment

In 2021, the recovery from the recession caused by the Covid-19 pandemic dominated global economic developments and our forecasts. GDP rose by 5.6% globally and by 5.0% in the euro area. For 2022, the world GDP growth outlook is 3.6% (euro area 3.2%). Relatively smooth vaccination campaigns contributed to the normalization of activities (mainly in advanced economies). Emerging markets and developing economies lagged behind in terms of vaccination and therefore also in terms of economic recovery. The fast increase in contamination / hospitalizations in Q4 2021 and the sudden appearance of the new Omicron variant in late November 2021 made it clear that Covid-19 is a more structural problem that might be with us for years to come.

We expect that higher inflation, which reflects energy price increases and other supply bottlenecks, will last somewhat longer than originally anticipated. Nevertheless, elevated inflation is expected to be transient and a return to normal ranges is expected in most countries in the second half of 2022. Downside risks may further occur from the phase-out of fiscal support and, of course, the pandemic itself may develop in unforeseen ways, although vaccination and booster uptakes have lowered this risk and its possible consequences.

The Dutch economy performed better than most other European countries with a GDP growth of 4.5% in 2021. GDP already returned to the pre-pandemic level in Q3 2021. The labor market is very tight. Therefore, we do not expect an unemployment wave once government support measures are phased out. House prices in the Netherlands showed very high growth in 2021 due to persistent housing shortages and continuing low interest rates. This will continue in 2022, while in later years the housing market will likely cool down substantially.

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 2021. 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 60% and the positive and negative scenarios 20% each. Based on the outcomes of internal stress tests we fine-tune our multi-year forecasts of impairment charges and NPL development each quarter.



For the Netherlands, the baseline scenario looks as follows:

| <i>Baseline Scenario for the Netherlands</i> |       |      |       |      |
|--|-------|------|-------|------|
| Year-on-year volume change (%)               | 2020  | 2021 | 2022  | 2023 |
| Gross domestic product (GDP)                 | (3.8) | 4.5  | 2.9   | 1.7  |
| Private consumption                          | (6.6) | 3.2  | 4.0   | 1.4  |
| Business Investments                         | (6.3) | 3.6  | (0.6) | 1.7  |
| Housing investments                          | (2.6) | 3.7  | (1.7) | 3.3  |
| Government expenditure                       | 1.0   | 3.9  | 3.0   | 2.1  |
| Export volume of goods and services          | (4.8) | 6.7  | 4.2   | 4.3  |
| Import volume of goods and services          | (5.5) | 4.9  | 4.3   | 4.8  |
| Inflation (%)                                | 1.1   | 2.7  | 3.8   | 2.1  |
| Unemployment (%)                             | 3.8   | 3.2  | 3.1   | 3.3  |

*Note: In view of the lockdown per mid-December GDP forecasts for 2022 and 2023 were revised to respectively 2.6% and 2.0% based on lower expected private consumption in 2022 with some catch-up in 2023.*

### **End to (Most) Pandemic Relief Measures**

Next to the resilience of the economy, the impact of the Covid-19 crisis on credit risk for banks eased in 2021 thanks to the very significant government support packages to companies and self-employed people. It remains to be seen therefore whether some Dutch companies will still be viable after the stimulus programs wind down. The Dutch government's generic support measures for businesses are coming to an end. From April 1, 2022 the special facility to defer tax payments ends and tax payers need to pay tax assessments dated on or after April 1, 2022 on time. From October 1, 2022, companies must start paying off their tax debt where they were granted deferral for, over a maximum of five years.

### **Credit Portfolio**

The expected quality deterioration of our credit portfolio because of the fallout from the pandemic, is supposed to be largely delayed to 2022 and beyond, due to the economic resilience and the unprecedented government support packages. The NPLs continued their decreasing trend in 2021 also due to effective special asset management. Our total NPL portfolio decreased from EUR 13.9 billion at year-end 2020 to EUR 9 billion at year-end 2021. This net decrease occurred within all segments (Local Banks, Wholesale & Rural and DLL). The NPL ratio ended at 1.6% (2020: 2.5%), which is lower than the Stage 3 ratio mainly because deposits at central banks are included in the denominator of the calculation. The table below illustrates the improvement in the quality of the portfolio since year-end 2020 with decreases in the share of stage 2 and 3 exposures.

The ultimate overall scale of the expected deterioration in asset quality and accompanying increase in NPLs in 2022 and later years is still uncertain and will largely depend on the strength of the economic recovery. Meanwhile, we continue to implement specifically developed sector/country strategies to further reduce the inflow of NPLs and we continuously monitor our customers' position in relation to (upcoming) events (e.g., rising energy prices, droughts) or sector issues (e.g., dairy and nitrogen) and reconsider our strategy accordingly.

### **Vulnerable Sectors**

Vulnerable sector exposures are considered to have a significant increase in credit risk and are placed in stage 2. The classification of a sector as 'vulnerable' is based on an in-depth analysis on the impact of the pandemic developments on its relative strength and outlook. Updating of vulnerable sectors is done semi-annually.

Stage 1 towards stage 2 migration of exposure within vulnerable sub-sectors was almost fully related to non-F&A sub-sectors per year-end 2021. The largest migrations are within the domestic sub-sectors of Commercial real estate (shops and leisure), Accommodation & food services (hotels, restaurants and pubs), Wholesale and retail trade (Automotive), Arts, entertainment & recreation (sport facilities, fitness and amusement and theme parks), and Administrative and support service activities (travel agencies). Per year-end 2021 2.3% of the private sector loan portfolio of EUR 417 billion was classified as vulnerable. The size of the vulnerable sector exposure was substantially lower at year-end 2021 compared to year-end 2020 due to updated estimates of the severity of potential impact. Much of the portfolio is experiencing a low impact, e.g. the domestic residential mortgage portfolio, valued at EUR 192 billion (46% of private sector portfolio), thanks to the booming Dutch housing market.

### **IFRS 9: Effects of the Covid-19 Pandemic**

In 2021 impairment charges moved into negative territory (minus EUR 474 million, i.e. minus 11 basis points) as economic development improved significantly and the inflow of new defaults stayed at a low level thanks the economic recovery and to government support measures. This led to a high release in the stage 1 allowance, which was elevated at year-end 2020. This is consistent with the Expected Credit Loss methodology of IFRS 9. Furthermore, stage 3 additions were also negative. However, based on all uncertainties from the pandemic impact also after the ending of government support, the Covid-19 related Top Level Adjustments (TLAs) on performing provisions were only partly released. Substantiation of these TLAs shifted in the course of the year from calculating a "delay effect" to determining the extent of the adverse effect of the

pandemic on the quality of the entire portfolio. In 2021 the sum of our Covid-19 related TLAs decreased to EUR 500 (2020: 681) million.

The first table below shows the impairment charges in the different stages.

Thanks to the net releases and write-offs in stage 3, the share of the stage 1 and 2 allowances in the total impairment allowance rose to 36% (2020: 33%).

#### Impairment Charges

| Impairment Charges (in million of euros) | 2021         | 2020         | 2019       |
|--|--------------|--------------|------------|
| Stage 1                                  | (375)        | 419          | 111        |
| Stage 2                                  | 76           | 474          | 128        |
| Stage 3                                  | (175)        | 1.020        | 736        |
| <b>Rabobank Group</b>                    | <b>(474)</b> | <b>1.913</b> | <b>975</b> |

The following table illustrates that the defaulted part of the portfolio (stage 3) showed a significant decrease in 2021.

#### Stage composition portfolio

|                       | 2021        | 2020        | 2019        |
|-----------------------|-------------|-------------|-------------|
| Stage 1               | 91.6%       | 89.5%       | 92.4%       |
| Stage 2               | 6.4%        | 7.5%        | 4.4%        |
| Stage 3               | 2.0%        | 3.0%        | 3.2%        |
| <b>Rabobank Group</b> | <b>100%</b> | <b>100%</b> | <b>100%</b> |

#### NPL Strategy

Our NPL portfolio is managed within the framework of a group-wide NPL strategy that is monitored closely and supported by regional or product-driven sub portfolio strategies where deemed necessary. Individual customer strategies are based on our mission and values to create new perspectives with our customers. Besides the required assessments with regard to the business and financial viability of each individual customer in financial distress, we also weigh the impact of the prudential backstop regulations by both the European Commission and the European Central Bank (ECB). These regulations led to additional capital requirements. An important part of our mission is to strive to reduce the length of time a customer is serviced through our financial restructuring and recovery departments (FR&R). Over the past three years, we have successfully de-risked our credit portfolio and restructured several businesses. Multiple measures have been implemented to actively manage the NPL portfolio, including changing exposure types, the sale of portfolios, and individual exposures in the secondary market. The increased attention to vintage and average duration further contributed to a reduction of the NPL portfolio.

Despite Covid-19, NPL inflow in 2021 was limited, mainly as a result of the economic recovery and of the effective relief measures provided by governments to our customers. Nonetheless, some effects of Covid-19 are expected to be seen in 2022 after support measures will expire per the end of Q1 2022.

#### Climate Related and ESG Risk (C&E Risk)

The physical consequences (physical risk) of climate change (such as rising average temperatures and extreme weather events) and the transition to a climate-neutral economy (e.g. transition risk) are priorities for Rabobank. That is why we are committed to the Paris Agreement goals, why we are a signatory to the Net Zero Banking Alliance and why we consider it a shared responsibility to take action. We are increasingly aware of the impact of climate change on our business and we therefore treat climate change and environmental degradation as one of our strategic risks. Next to that, as a bank we can also have impact on climate change through our lending portfolio. Climate related and ESG Risk is a driver for all traditional risks, predominantly Credit Risk. C&E risks amplify through transition channels, for example macro (e.g. GDP) and micro (e.g. crop losses) impacts. The materiality of C&E risk as a driver for the traditional risks is assessed and part of Rabobank's risk taxonomy.

Both physical and transition risks could impact the quality of our credit portfolio, especially our Food and Agriculture and mortgage portfolios. Of the four categories that the Task Force on Climate-related Financial Disclosures (TCFD) distinguished, we classify the following four portfolios as the most exposed to climate change risks: (i) energy, (ii) transportation, (iii) materials & building including real estate, and (iv) agriculture, food, and forestry products. Our current overall exposure to these four industry sectors is roughly 60% of our group exposure at default (EAD).

Significant climate-related and environmental related regulations for banks were issued in 2020 and there are 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 is expected that the ECB will 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, has been taken. To manage C&E risks, a 5-year C&E risk roadmap with 29 deliverables has been designed. For

the successful implementation of the roadmap an integrated approach on climate alignment, business strategy and risk management has been developed. In this integrated approach we leverage our sector approach.

The focus of the 5-year roadmap is among other things on measurement (heatmaps, stress testing, scenario analyses, client risk assessments), structural improvement of data, monitoring and reporting. The roadmap aims to create awareness and expertise, and to expand disclosure on C&E risks.

The roadmap execution started with the following key deliverables for this year:

- Heatmaps – first edition to identify potential threat climate risk on Rabobank portfolios
- Climate and Environmental risk assessment – first design of assessment on client level
- ECB Climate Risk Stress Test – preparations for the 2022 Stress Test have started
- Sustainability Finance Framework (SFF) – a Minimum Viable Product SFF including an implementation plan
- Data – a preparation for a comprehensive approach to collect and store data on climate and environmental risk.
- ESG in the client Journey; incorporation of ESG risk drivers in the credit assessment

The implementation of the roadmap is a continuous journey whereby this roadmap will need to undergo annual reassessment with a focus on a risk-based approach. Given our focus on The Netherlands and F&A, we are exposed to specific ESG risks and regulations, as well as opportunities. Also, we have committed ourselves to various external commitments, which lead to a number of (reporting) obligations.

Please refer to the chapter [Climate-related Financial Disclosure](#) where we disclose our governance, strategy and risk management related to climate change, in line with the recommendations of the Task Force on Climate-related Financial Disclosures.

### **Interest Only Mortgages**

Within the well-performing residential mortgage portfolio in the Netherlands, 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). Since a few years 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 very 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 continually analyze this, and apply models to rapidly identify increased risk. Thanks to the sharp house price increases in the past few years the LTVs are decreasing leading to a decline in the higher risk shares of the portfolio. Based on supervisory expectations regarding the allowance on this part of the portfolio, the existing top level adjustment was adjusted upwards to EUR 25 million. Ongoing supervisory scrutiny for IOM may affect future capital and impairment levels, as well as the level playing field in the Dutch mortgage market.

### **The future of Dutch agriculture under the new government**

In the coalition agreement of the new Dutch government, an acceleration of the large transition of the agricultural sector is announced. The Netherlands has to become a global leader in circular agriculture in 2030. This vision entails a paradigm shift from growth in production volumes and cost price reductions towards optimization in resource use and food production in harmony with nature and with a recovery in biodiversity. A Transition Fund of EUR 25 billion, also to be used for the nitrogen issue (see below), should make this possible. A prerequisite is that farmers must be able to earn a decent income in the new situation. At the same time, a new set-up of the Dutch landscape and the place of agriculture therein must be agreed upon. As a large stakeholder we are actively participating in these very challenging developments and are continuously assessing their impact on our portfolio.

### **Nitrogen (PAS)**

On July 1, 2021, the new “Nitrogen Law” came into effect in the Netherlands. Approx. EUR 2 billion will be invested by the Dutch government in the coming years to structurally reduce nitrogen emissions in the most important sectors (agriculture, industry, mobility, and construction). Furthermore, almost EUR 3 billion will be invested in the recovery and strengthening of nature. These investments will make new economic developments possible. Specifically for agriculture there will be grants for farmers who consider switching to more sustainable business models and for those who are considering giving up farming. The government’s ultimate goal is that in 2035 at least 74% of so-called Natura 2000 areas will experience acceptable nitrogen depositions. In the coalition agreement of the new Dutch government additional measures are announced to reduce nitrogen emissions more quickly. The ultimate goal of the Nitrogen Law should be reached in 2030 instead of 2035. We are closely following these developments and their possible impact on our portfolio. Given the current government investments and grants that ultimately support our customers, as of December 31, 2021 no top level adjustment on the allowances was deemed

necessary. We will continue to monitor these developments and associated risks closely.

### **PFAS**

From mid-2020, restrictions on working with PFAS contaminated soil and dredging spoil were loosened for the construction and dredging sectors. The new measures also take 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. At the same time, the Netherlands and some other EU countries are working on a proposal to prohibit all uses of PFAS in the European Union. This may ultimately affect our customers, as such we will monitor the developments and risks closely.

### **Risk Profile Performance**

In 2021 our credit risk profile improved. This is illustrated by the negative impairment charges and the decreases in our NPL portfolio and in the share of exposure in stage 2. In 2021 we operated within our risk appetite for nearly all our KRIs. Only the impairment charges based on the adverse scenario in our mid-year stress test breached the Early Warning Level at year-end. For 2022 credit risk will be influenced by economic factors, like high inflation and supply constraints, the unpredictable pandemic and geopolitical tensions (e.g. situation around Ukraine).

### **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 clients 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 2021, Rabobank's liquidity position remains adequate with a stable funded balance sheet, sufficient and high-quality liquidity buffers, a diversified funding profile, and a limited structural currency mismatch. Funds entrusted have shown to be stable with a slight increase. The current outlook on funding and liquidity is positive.

The USD balance sheet is of strategic importance for the bank. Specific monitoring and reporting of the USD funding and liquidity position is in place, including a USD-specific LCR and NSFR. Our structural and strategic USD funding base was strengthened. We have maintained a solid liquidity position with good continuous access to USD funding. Further diversification and a sustainable USD funding profile will stay in focus during 2022.

### **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.

Event risk is considered the most important indicator in the Market Risk Framework. It 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. Value at Risk (VaR)



is used alongside event risk and also forms an important part of our market risk framework.

The VaR model is 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 delta, commodity cash delta, notional limits and FX exposure limits.

#### Risk Profile Performance

Exposures in 2021 remained well within the defined risk appetite, with the exception of the underwriting business, which was caused by very active underwriting markets that filled the order portfolio. Prior approval from senior management was obtained before entering in to a deal which would result in the risk appetite being exceeded. Financial markets experienced less volatility compared to previous year. As a result profit and losses were less fluctuant. VaR gradually decreased in the course of the year as the volatile historic scenarios decayed out of the observation period.

#### 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 2021, 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. Market interest rates have stayed volatile and negative. In the current environment it remains difficult to maintain our net interest income at a certain level. One of the main drivers of the pressure on net interest income 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 100,000 as of July 1, 2021.

In 2019, the ECB lowered its deposit rate from minus 0.4% to minus 0.5% and it remained at that level during 2020 and 2021. The Pandemic Emergency Purchase Program (PEPP), launched in 2020 by ECB on the back of the Covid-19 crisis on top of earlier measures, has been continued. Rabobank has participated in an extension of the TLTRO program and added an amount of EUR 15 billion to a total of EUR 55 billion in 2021.

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.

#### 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 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 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 MTP and budget process is a key element of Business Risk management.

## Risk Profile Performance

In 2021 we operated largely within risk appetite, except for mentioned impact of market interest rates (mostly margin compression on retail savings) on our net interest income.

## Operational Risk

Exposure to operational risk is an inevitable part of Rabobank's business activities. Operational risk is the risk of financial, regulatory and reputational impact due to inadequate or failing processes, people, systems and / or external events. We aim to reduce this risk within the boundaries set by our risk appetite as appropriate to the complexity and size of our organization, as well as to monitor the risk actively and where needed, take additional action. Operational Risk Management (ORM) is an integral part of doing business. Within Rabobank, ORM is aimed at maintaining a healthy balance between the exposure and management of our risks. The objective of ORM is to identify, measure, mitigate, monitor and report operational risks, and to promote risk awareness and a healthy risk culture within our organization. Operational risk includes compliance, tax and legal risk. Specific sub-risk types defined under operational risk are: people, external fraud, internal fraud, physical security and safety, business continuity, transaction processing and execution, technology, conduct, legal, financial economic crime, regulatory compliance, third party, information security (incl. cyber), statutory reporting and tax, data management, model risk and corporate governance.

We have a mandatory risk and control framework (RCF) in place to actively manage and control our operational risks, supported by policies, procedures, limits and control structures. The RCF facilitates the management of operational risks with a forward-looking view, taking a consistent approach to our risk and control activities and to support the banks overall strategy and business objectives. Risk and control activities are included in the following risk and control process steps: 1) risk identification; 2) risk assessment; 3) risk response; 4) risk and control monitoring, and 5) risk and control reporting. Finding and action management, and incident management take place in conjunction with the ORM cycle. Considering the scale of our bank and the complexity of our business activities, we use multiple risk appetite statement metrics to set the boundaries of accepted risk levels.

The Risk Management Committee Group (RMC) regularly has operational risk on its agenda and is responsible for setting the operational risk policy, its parameters and framework at Rabobank group level. The ownership and primary responsibility for the management of operational risk lies within the business, as it must be fundamentally woven into the first line's strategic and day-to-day decision-making.

Within the group entities, risk management committees play an important role in overseeing and monitoring the operational risks of the entities. This structure, enables us to manage our current existing operational risks as well as identify and prepare for managing new emerging risks.

### Technology

The risk profile for Information Technology (IT) has been steady over time and is determined by some long lasting issues such as the decommissioning of end-of-life systems, patching software vulnerabilities, and improving control over change implementation. The Accelerated Cloud Transformation (ACT) program will enable to improve overall IT risk and security controls and decrease risk in these areas.

### IT Risk / Cybercrime

Cybercrime continues to represent a considerable challenge to our Bank. Covid-19 accelerated the world's already growing dependency on digital technology. As technology is becoming more complex, more interconnected and more intertwined, digital operational resilience is becoming more important. This increases the likelihood and impact in the case such a risk would materialize. Amongst others, some developing cybersecurity threats we have observed include:

- Malware is leveraged by organized international criminal groups to target a broad range of both private and public organizations and their customers.
- Phishing fraud remains a continuous threat for all banks to deal with, where criminals are stealing credentials of customers. This threat has become significantly larger in the Covid-19 era.
- Ransomware attacks have drastically increased in numbers. Companies in the financial and other sectors, who have been hit by such attacks have reported significant impacts. Affected organizations were forced to pay several millions of euros and/or have spent millions to recover their systems and business processes.
- Vulnerabilities are found by criminals to obtain access to company networks. A recent example is the disclosure of the so-called "log4j security vulnerabilities. Rabobank's internal response to these vulnerabilities was rapid patching of any identified vulnerable system and careful threat assessment of potential ICT third party supplier exposures. Next to the threats mentioned above, "Distributed Denial of Service Attacks", are becoming more prevalent. Even though Rabobank has protected key applications with sound measures, criminals are continuously looking for holes in defenses.

Rabobank continuously strives to deliver secure banking services, in order to keep the trust of our customers. Rabobank remains closely engaged with the Dutch National Cyber Security Centre (NCSC) to continuously strengthen security measures in order to keep up with the external threats. In 2021 many other initiatives delivered improved security capabilities, related to, for example, the protection of information, detection of deviations, and recovery. Nevertheless, the inherent risks and threats are high and expose us to these risks.

### **Third Party risk / Outsourcing**

Rabobank makes extensive use of third party vendors and outsourcing parties. Our dependence on these external service providers is increasing, while the financial sector is subject to increasingly stricter regulatory requirements, such as the Schrems 2. Stricter regulations creates additional risks related to third parties and outsourcing. In 2021, full attention was given to awareness of BCM risks and operational effectiveness of standards and controls. The scheduled implementation of a bank-wide tool for the registration and monitoring of the workflow will enable us to better demonstrate control over all (relevant) third party arrangements.

### **Business Continuity Management (BCM)**

Improvement programs resulted in a strong BCM risk profile. We continue to focus on the area of application backups and restores. Rabobank has also proven to be effective in absorbing the effects of the Covid-19 pandemic. The Covid-19 crisis has led to an increased focus of BCM to people and facilities, which, in addition to critical (IT) processes, have proven to be areas that are equally important to ensure business continuity.

### **Transformation Risk**

Rabobank's ambitious transformation agenda continues to have an impact on people, processes, and systems. In order to manage the inherently high transformation risk, the bank has processes and program support in place to monitor, manage, and report on this risk type. We learned from (large) previous change initiatives and use the experience to give our attention to manage (large) change programs in an efficient and effective manner. This includes 1) realize an improved integrated approach towards change; 2) safeguard capacity and capabilities to drive change, and 3) further embed and safeguard a healthy change culture.

### **Model Risk**

Rabobank has a comprehensive Model Risk Management (MRM) policy framework in which requirements are defined for model development, model validation, model approval, and model use. The MRM policy framework was subject to a full review in 2021. Model risk (with respect to ALM, KYC and credit

risk models) is considered above risk appetite, and substantial efforts are undertaken to mitigate this risk and build towards a sufficient level of (future) regulatory compliance. In addition, data risk management is a crucial building block for (future) regulatory adherence and adequate model risk management.

### **Data risk management**

To strengthen data management, a Master Plan Data has been drafted to structurally enhance data management. The central governance has been reinforced and the central Data Management Office has been strengthened to steer and support data management and improvements. During 2021, Rabobank advanced the implementation of the BCB239 principles, with a particular focus on the data aggregation and reporting of (risk) data. We continued to promote Data Quality Monitoring. The BCBS239 principles translated into internal Norms & Forms were implemented in most of the large(r) Programs and Subsidiaries. The RCF around those Norms & Forms was strengthened, with an enhanced scope, solving for gaps and improved governance. Despite all our efforts and achievements made on data management in 2021, improvement is needed to become compliant with BCBS239, and to support execution of our model risk management agenda.

### **Risk Profile Performance**

Our operational risk profile remains high and above accepted levels. Mitigating actions and remediation programs are being continued to lower our operational risk profile to an acceptable level. Most of our materialized operational losses and high risks are in the areas of conduct, external fraud and process execution failures. Our operational risk losses were above accepted levels in 2021. As mentioned above, the main themes driving our operational risk profile are related to compliance themes (please see the compliance section), model risk, IT/cybercrime risk, transformation risk, outsourcing/BCM, and data management. We are insufficiently compliant for model risk and remediation programs have been put in place. Risks in the above-mentioned areas will remain material for the short term. In addition, we see that retaining and attracting qualified employees is becoming an emerging risk. The ongoing Covid-19 crisis has not caused a material increase in the operational risk profile or realized material losses in 2021.

### **Compliance**

We strive to be 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 identified compliance themes, working closely together as lines of responsibility and using advanced tooling on a global scale, we are able to achieve an adequate degree of compliant behavior.

### ***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. Rabobank has zero tolerance towards and is committed to fighting corruption and bribery. Our anti-corruption and anti-bribery control framework prescribes a control concerning background screening before entering into a relationship with a client, business partner and/or employee, and a control to mitigate corruption risk after entering into a relationship. We work with risk appetite statements that are monitored on the basis of KRIs such as the change in the percentage of high-risk clients and business partners in relation to the total client and business partner portfolio and a reputation track indicator.

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.

### ***AML, CTF & Sanctions***

As a cooperative bank with a mission, Rabobank operates at the core of society to make the world a better place: Growing a better world together. This mission includes protecting our customers, members and society from financial crime. We take our role as gatekeeper to the financial system very seriously. It is part of our responsibility as a bank and a prerequisite for successfully carrying out our mission. It goes without saying that we want to comply with the applicable laws and regulations.

Our press release of 15 November 2021 announced that Rabobank received a draft instruction (voorgenomen aanwijzing) from the Dutch Central Bank (DNB) on 12 October 2021. Subsequently, Rabobank received the instruction (aanwijzing) on 23 December 2021. In this instruction, DNB determines that Rabobank does not meet the requirements of the Dutch Anti-Money Laundering and Anti-Terrorist Financing Act (Wet ter voorkoming van witwassen en financiering van terrorisme, Wwft). DNB orders Rabobank to remedy deficiencies regarding its Dutch retail division's compliance with the Wwft by 15 December 2023 at the latest. These

deficiencies mainly concern the execution, recording and outsourcing of client due diligence, transaction monitoring and reporting of unusual transactions. We also announced on 15 November 2021 that DNB informed the bank that a separate punitive enforcement procedure would commence, the outcome of which is not yet known.

Since 2016, Rabobank has centralized and specialized its KYC organization, focused on achieving consistent quality throughout its KYC chain, accelerated innovation and assigned responsibilities and activities in accordance with its 'three lines of responsibility' model. From 2016 up to and including 2020, Rabobank invested a total amount of EUR 1,150 million in its KYC organization and in enhancing its compliance framework to adequately meet the requirements of the Wwft.

Throughout 2021, we have further strengthened our KYC activities and have continued to invest in training for our KYC employees. In line with the increase over the previous years, the bank expanded its worldwide KYC workforce from approximately 4,000 employees in 2020 to 4,900 employees in 2021. These colleagues work hard daily to build a reliable and safe system for our customers, members and society. Rabobank realized the increase of 900 KYC employees despite difficult circumstances such as the Covid-19 pandemic and challenges to find qualified personnel to fill vacancies. Rabobank also continued to invest in automation, innovation of processes and technology such as artificial intelligence and robotics. In 2021 alone, Rabobank spent approximately EUR 450 million on KYC compliance.

While Rabobank has made improvements, the bank acknowledges that it has not yet remedied the deficiencies in order to adequately meet the requirements of the Wwft. Rabobank will therefore continue its efforts and investments in the necessary expertise, technology and systems to build a robust and future-proof KYC organization that adequately meets the requirements of the Wwft. Ensuring this is an ongoing process and has the bank's full attention, Rabobank is in constant dialogue with DNB.

In response to the severity of the instruction received from DNB, Rabobank has committed itself to increase its efforts in order to remedy the deficiencies within the timeline set by DNB and will redesign its KYC enhancement program accordingly. Additional efforts required by the bank to resolve backlog files in client due diligence and transaction monitoring are part of this process. Accordingly, a provision of EUR 249 million has been included in Rabobank's 2021 financial statements for the incremental cost involved to resolve these backlogs.



Rabobank's KYC enhancement program is executed under the direct responsibility of the Managing Board. In addition, a new position within the Managing Board will be created with a specific focus on KYC compliance. The Supervisory Board will continue to oversee the KYC enhancement program, including by means of a dedicated (temporary) committee. DNB will also continue to supervise the progress made under the program.

The role of gatekeeper comes with certain dilemmas which we need to explain to our customers to the best of our ability. For example: certain cash intensive sectors can be vulnerable to financial crime. In order to mitigate the risks involved, we actively monitor and manage such sectors and relevant customers, and if needed take appropriate actions to limit the excessive use of cash. We understand that this may impact customers such as vulnerable groups within society and entrepreneurs who rely on the use of cash. We continuously balance the interest of (individual) customers and the integrity of the financial system, and engage with relevant stakeholders where possible.

Notwithstanding our responsibility to adequately meet the requirements of the Wwft, providing a sound and effective financial system requires a joint effort from- and optimal cooperation throughout the chain by the different types of parties involved. In addition to banks, the government, the FIU, law enforcement and regulators also play an important role. Rabobank will continue to promote closer cooperation between banks and the various parties in the public sector. Transaction Monitoring Netherlands (TMNL), in which the transactions of five banks are monitored collectively, is a first step. Local and international cooperation is of the utmost importance in order to prevent the large internationally operating criminal organizations from misusing the financial system. It is our strong belief that in a better world there should be no place for criminal money obtained from activities such as drug trafficking, human trafficking, arms trafficking and child labor.

### **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. 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. During 2021, we ensured a structural sound governance around the topic, increased alignment of

our business and IT organization and important progress was made in all areas. For 2022 we expect to further deliver on the execution of the program, including go-live of enhanced IT solutions supporting the quality of our transaction reporting.

### **Data Privacy**

Compliance with data privacy regulation is a key element of our digitization and data strategy. Sustainable processing of personal data of our clients and employees is key. As Rabobank we want to be an example in how we get value from data, for our customers and the bank. Rabobank aims to be in the forefront by having a framework in place that enables our customers and employees to be in control of their data, and the bank to be on top of transparency, security and data privacy. Those values are laid down in our data manifesto. Meanwhile, Rabobank is aware of the risks that are involved because of many new regulations, guidance and also fines by Data Protection Authorities (DPA), including adverse media attention. The impact for Rabobank of the Schrems 2 ruling is high on international data transfer processes, as it is for many large companies. Next to this, dilemmas arise between privacy protection and other regulation, for example Duty of Care and KYC requirements. Safeguarding the interests of our customers, our employees and other stakeholders remains crucially important and Rabobank will continue to invest in privacy compliance in its journey to become a data-driven digital bank. There is a risk that we are insufficiently compliant with various privacy regulations.

### **Fraud**

The number of fraud incidents in the Retail domain against both our customers and the bank was still substantially high over 2021. In the Netherlands we saw a shift from phishing to spoofing with the numbers remaining stable. We continue to look at ways to prevent fraud, through changes in Rabobank's online environment, process changes, updating technology and increasing awareness. As customer losses are rising, there is increased attention across Rabobank on preventing loss for the customer. Fraud numbers for the sector are disclosed by the NVB on an annual basis.

In the Wholesale and Rural domains there were no significant incidents. We did a fraud look-back exercise on the most impactful incidents in the past three years. This look-back resulted in increased awareness and will be used for updating the controls to mitigate fraud risk and develop appropriate training.

### **Treating Customers Fairly**

As in 2020, in 2021 Covid-19 had a significant impact on certain sectors within the Retail business clients domain. We

continued to serve our clients as well as possible with available support measures and an optimized digital financing process.

Treating Customers Fairly and the duty of care for our clients is at the heart of everything we do and is closely connected to the objectives of Rabobank as a cooperative bank. Care for vulnerable clients is an important focus. Therefore Rabobank encourages Dutch retail clients with interest-only mortgages to take action and reduce their future risks with regard to affordability and the burden of residual debt. The Dutch Authority for the Financial Markets (AFM) supervises Dutch mortgage lenders in this respect. In 2021, Rabobank decided to offer compensation to customers with certain credit facilities with a variable interest rate. This will be operationalized in 2022. The recovery framework on the reassessment of Dutch SME interest rate derivatives was fully completed in 2021. The risk for Rabobank with regard to Treating Customers Fairly is high and constantly evolving, mainly through the publication of KiFid and court cases. Rabobank aims to be proactive with regard to remediation when required. Our Code of Conduct and Treating Customers Fairly policy framework, including a thorough product approval and review process, are key elements for the way we deliver our products and services to our clients.

#### Compliance Risk Profile

The overall level of compliance risk remains high, driven by 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 substantially high numbers of external fraud within Retail NL. Our focus is to improve our compliance and resilience, and with our change and remediation programs we work towards a lower compliance risk profile.

#### 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 digitization of the banking environment entails risks 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. Key opportunities,

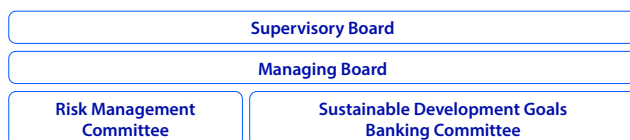
risks and our management response are depicted in [Key Trends and Uncertainties](#).

# Climate-related Financial Disclosures and EU Taxonomy

In this chapter, in line with the recommendations (2017) of the Task Force on Climate-related Financial Disclosures, we disclose information relating to the potential financial impacts of climate change. Furthermore, we report on climate governance at Rabobank, a high-level overview of our climate strategy, how we are developing our approach to climate risk management and how we ultimately manage these opportunities and risks. Next to that we disclose our EU Taxonomy eligible assets.

## Governance

Responsibility for strategic direction and monitoring strategy implementation of sustainability and climate at Rabobank rests with the Managing Board. The Managing Board carries out its oversight of these matters directly, as well as through assigned committees. It should be noted that the committees have the broader topic of sustainability and it is not limited to climate alone. Climate-related risks and opportunities are also an integral part of sustainability. The figure sets out the key bodies and committees on climate and sustainability and does not address individual departments.



### Supervisory Board

The Supervisory Board carries out its responsibility for oversight, including climate-related matters, see for more detail the report of the Supervisory Board.

### SDG Banking Committee

The mandate of the Sustainable Development Goals Banking Committee (SDG BC) is to oversee, monitor, challenge, coordinate, align and take overarching decisions for the Sustainability Regulations and Commitments Program and the Climate Program, and the Sustainability Ambitions program.

The governance entails the SDG BC is mandated to guiding and aligning the different sustainability programs within Rabobank. Due to the growing importance of climate change, over the course of 2021, the SDG Banking Committee increased its meeting frequency from quarterly to eight times per year.

All business units and the main subsidiaries are represented at Board or senior management level.

### Risk Management Committee (RMC) Group

The RMC at Rabobank Group level is mandated by the Managing Board to oversee the implementation of the risk management framework, perform risk monitoring and reporting, and perform oversight of new risk regulation including climate-related and ESG risks.

The RMC Group is chaired by the Chief Risk Officer (CRO) and includes Managing Board members and senior management. The RMC Group provides oversight of the firm's Risk Appetite Statement (RAS), which describes the levels and types of risks the firm is willing to accept, in order to achieve the strategic goals, while remaining in compliance with regulatory requirements, including climate-related guidance. As part of its oversight, RMC Group receives updates on our risk management approach to climate risk, including our approaches towards stress testing and its integration into existing risk management processes.

### Business Units

Integration of sustainability and climate in our business activities is paramount to our Sustainability Ambitions program. Based on the strategic direction of Rabobank, the business develops appropriate business plans with targets, which are aligned with or aggregated to Managing Board KPIs. The setting of sustainability ambitions and targets is done by the business entities and support entities, of which the Sustainability Department has a leading role.

## CLR (Compliance Legal Risk)

CLR is responsible for providing a strong risk and compliance governance by incorporating ESG risk in the Risk Management Framework including risk identification, the risk taxonomy the incorporation in models, climate related stress testing, and heatmaps. CLR has a challenging role and advises on risk taking on ESG. Next to that CLR monitors the first line activities on ESG risk and form an independent view on ESG risks and ensure legal and regulatory compliance. CLR set up a specialized climate risk teams working on identification and assessing climate-related risk and integrating physical and transition risk in the risk management framework and the client journey.

## Strategy

The 'Transition on Energy and Climate' is one of the three transitions that is seen as key to our mission and strategy (see also [Performance on Our Strategy](#)). Our commitment to the Net-Zero Banking Alliance reiterates this. This transition will require investments across the public and private sectors. We are therefore leveraging our market expertise and insights to clients in order to drive capital towards market-based climate solutions. To accelerate the transition we incorporate financial incentives in our products and make sustainable and green choices simple and attractive. All together this is what Paris Alignment entails as we have introduced in 'Our Road to Paris' chapter of our [Impact Report](#).

To align our portfolio with Paris Agreement targets we take a four-step approach:

1. measuring our financed emissions,
2. benchmarking our financed emissions against recognized decarbonization pathways for economic activities, geographies and/or timelines,
3. defining emission reduction targets for our financed emissions, and
4. implementing a strategy for reducing risks and engaging in opportunities in the business.

We aim for decarbonization aligned with the Paris Agreement and we are working on options for mitigating risk and exploiting sustainable growth opportunities as we describe in [Excellent Customer Focus](#) and [Meaningful Cooperative](#). We do this by challenging the front runners to do even better, by activating the laggards to change course, and by encouraging our customers to take the next steps.

Climate-related risks need to be structurally embedded into our risk management framework. Heat mapping allows us to screen our portfolio to identify the areas within the portfolio that will likely be exposed to specific transition and physical

risks. With this knowledge we can focus on further assessing, managing, and mitigating these risks – and provide guidance to the business strategy and planning.

## Enabling Factors to Embed Climate Risk

We also distinguish a number of enabling factors to be able to embed climate risk and to ensure adequate measurement, steering and reporting. These include data, knowledge and training.

### Data

The transition to a sustainable economy is a long-term transition. In the current stage of the transition risk, and physical risk assessments, we are confronted with the limited availability and granularity of climate-related data, especially in F&A. It is inevitable to use estimates (proxies) until improved data will become available. Our expectations on the increase of data quality are based on reporting obligations (e.g. CSRD) as currently developed.

### Knowledge and Training

We work together with knowledge institutes such as the Wageningen University & Research (WUR) and train our employees to gain a better understanding of the climate topic and to conduct discussions with customers about where they stand in the transitions and what the bank can do for them as a financier. For example, we have trained our mortgage advisors and several of our investment advisers and relationship managers around the world. We also set up a company-wide online training course and at the end of it employees were invited to become sustainability ambassadors. Year-end 2021, over 1,000 employees have opted for this role to promote sustainable practices among colleagues. We are developing the first e-learning on climate risk (physical and transition risk) for all bank employees to create awareness on the topic.

## Risk Management

We identify climate and ESG risk as a strategic risk:

'Developments that threaten to disrupt the assumptions and outcomes at the core of our strategy.' Given the pervasive, multi-dimensional nature of climate-related and ESG risk, we view this risk as a driver of existing risk categories in our risk taxonomy (see [Risk Management](#) chapter). Each of these risk categories may be influenced by physical and transition risks.

The risk analyses support us to make strategic decisions to steer the portfolio and take risk mitigation actions. 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. Please refer to the chapter [Risk Management](#) for more information about the roadmap.

### Risk Heatmaps and Concentration Analyses

In 2021 we laid, by developing heatmaps, a foundation for measurement and integration of climate risk into relevant risk management processes throughout the bank. The heat maps are developed by identifying relevant climate risk factors (physical and transition risk) using internal expertise and external sources. Going forward, the results will be used to strategically prioritize, among others, our sector visions and strategies and vulnerable sectors.

Heat mapping is one of the most important exercises to identify and assess climate change risk in our credit portfolio. Heat mapping allows us to screen our portfolio and identify areas within the portfolio that will likely be exposed to specific transition and physical risks. The combination of our exposures and the heatmap are called the concentration analyses.

The heatmaps are based on qualitative, gross risk, i.e. inherent risk. Mitigations, for example, clients' management of climate-related practices and underwriting criteria, are not taken into account yet but will be incorporated in the future, although some form of adaptivity could be assumed in countries where they experience extreme weather events on a regular basis like in Australia or the United States (US). Australia is used to climate events such as droughts, and the US is used to the occurrence of cyclones. The heat mapping exercise is an iterative process and in the next years more details and environmental risk will be part of the exercise, which means outcomes are subject to future developments and change.

### Risk factors and scoring

For this first iteration of the heat map we focused on six acute physical risk events (extreme heat, cyclone, wildfire, coastal flood, heavy precipitation, drought), and one transition risk event (policy change). Our heat maps cover 36 sectors and six countries, i.e. Netherlands, United States, Australia, Brazil, New Zealand and Chile. In the following, we describe our methodology of these risks in more detail.

### Methodology

The heatmap is a risk method with a qualitative scale in high, medium and low gross risk sensitivity estimate per climate-related event, sector and geographical location with a 5 years time horizon. For physical risk, we rely on a business as usual scenario (also called hot house scenario) for climate change. For transition risk we focus on realistic expectations on policy changes. As it is a risk method, it is solely focused on the negative consequences of climate change. The heatmap

has, where possible, two elements: the threat level of a climate-related event (such as the likelihood of a coastal flood happening with a specific intensity threshold or the likelihood of new regulations) and the impact of an event upon a sector within a country. We developed a data-driven approach, backed by literature. Where data is limited, we rely on literature studies and our internal experts.

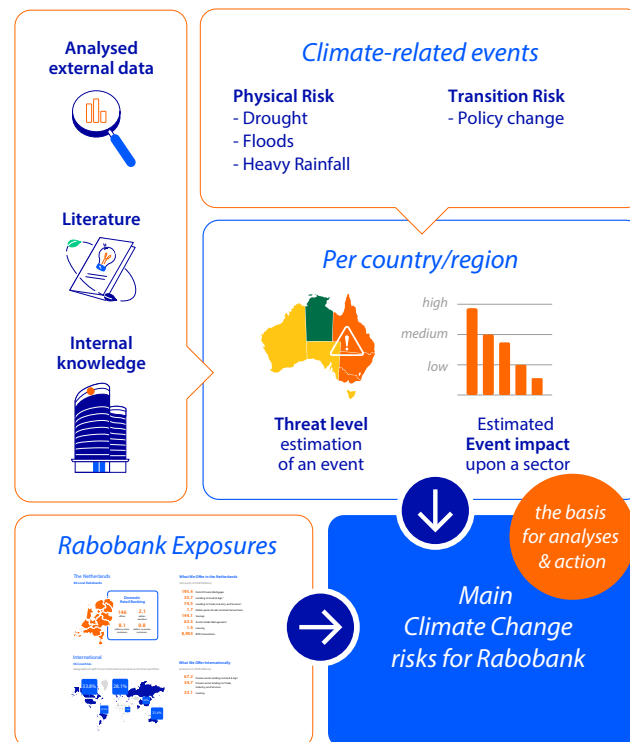


Illustration of our methodology

### Physical Risks

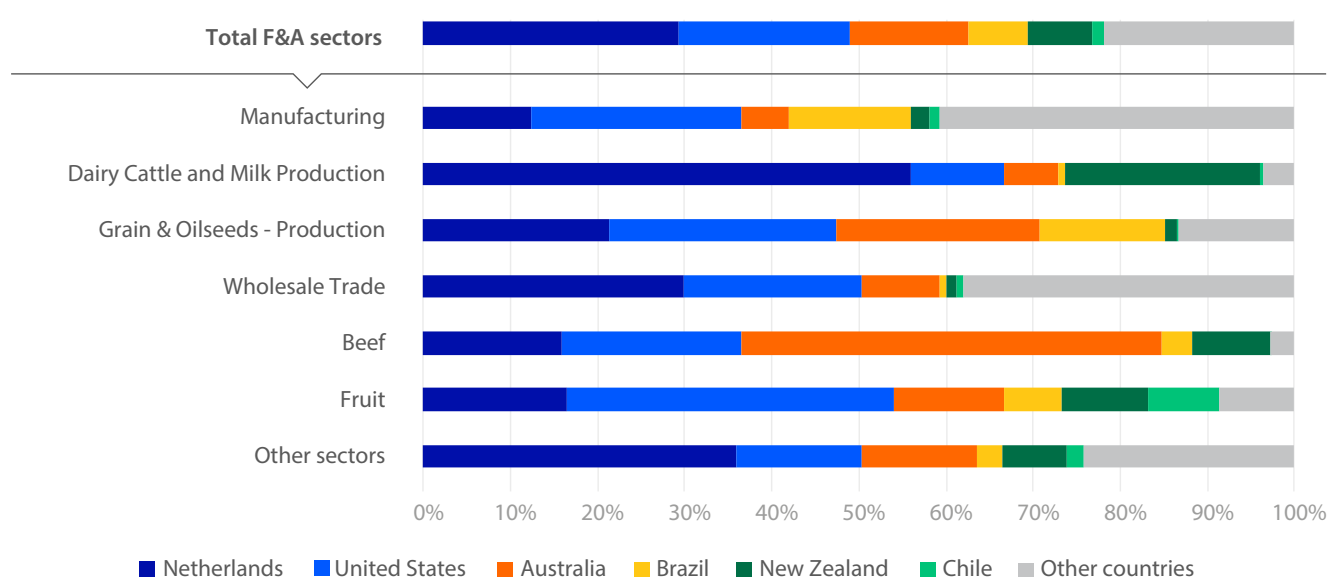
The risk heatmaps confirm that the bank operates in sectors with climate related risks, therefore adaptability by our clients and assessing residual risk is important. High physical risk is most common in the agricultural portfolio due to their vulnerability to natural hazards. The heatmaps demonstrate risks for all six types of physical risk events in the United States, Australia, and Brazil (excluding cyclones). In the short term there are risks for the Netherlands of heavy precipitation and drought. For New Zealand, the risk areas are cyclones and forest fires. For Chile, some risks related to drought and forest fires are classified as high.

### Transition Risk

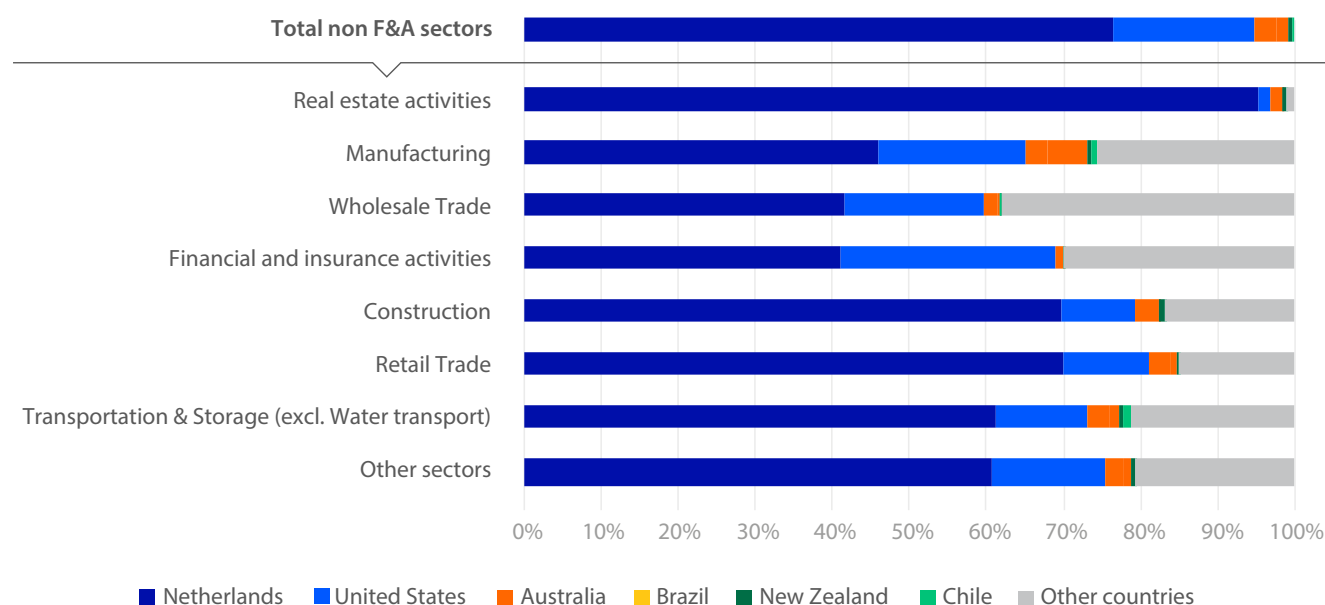
The highest risk of near-term transition risks due to policy changes was identified in the Netherlands and New Zealand. This is largely due to the high volume of pending climate legislation and plans. Emission-intensive sectors (e.g. Animal protein, Dairy, Manufacturing and Power Generation) are expected to be most vulnerable to the transition risk of policy changes.

## Climate Risks in Relation to our Portfolio

### Country share per sector - F&A



### Country share per sector - non F&A



Above we show the divide of our credit portfolio based on presence in F&A and non-F&A sectors. This enables a sector- and country-based risk insight based on the total and relative presence.

Over 50% of outstanding amounts in non-F&A sectors are in the Netherlands and the U.S., as the other countries have a much stronger focus on F&A sectors. The top eight non-F&A sectors (excl. private individuals) as shown in above figure account for around 80% of outstanding amounts.

### Conclusion

Besides the outcomes of the climate-related risks in our credit portfolio one of the conclusion is that The United States and Australia already experience regularly extreme physical weather events and are therefore likely to be better prepared than other countries where these extreme events do not take place yet. Next to that, the risk heatmaps show that Rabobank operates in sectors with climate related risks, therefore adaptability by our clients and assessing residual risk is important.

## Next steps

The first iteration of the heatmaps provided a starting point to understand overall climate-related risk in our loan portfolio. Next steps are, on the one hand, the embedding of the heatmaps in our strategy via our sector visions and strategies, portfolio management and the credit journey of our clients. The next iteration of the heatmaps will include further environmental risks, more refinements and inclusion of other, additional events.

## Dutch Residential Mortgages

For our mortgage portfolio we strive to assist our clients in becoming more sustainable, which aligns with an increase in the potential alignment of our portfolio with the EU Taxonomy.

Our total residential mortgage loans amount to EUR 192 billion (2020: EUR 189 billion), which is 44% (2020: 43%) of our total amount in loans and advances to customers EUR 436 billion (2020: EUR 436 billion) and a market share of 20.8% (2020: 22.0%) of new Dutch mortgage production.

CO<sub>2</sub> emissions caused by our portfolio are estimated to be 2.1 Mt CO<sub>2</sub> (2020 year figures) We calculated our Dutch residential real estate portfolio emissions using the PCAF standard for mortgages (See Annex 1, [Impact Report](#)).

In 2021, 25% (2020: 19%) of our 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.

### Energy Labels in the Mortgage Portfolio

| Energy label | % of houses funded              | % of houses funded              |
|--------------|---------------------------------|---------------------------------|
|              | by Rabobank (2021) <sup>1</sup> | by Rabobank (2020) <sup>2</sup> |
| A            | 28%                             | 26%                             |
| B            | 16%                             | 15%                             |
| C            | 24%                             | 25%                             |
| D            | 12%                             | 13%                             |
| E            | 8%                              | 8%                              |
| F            | 6%                              | 6%                              |
| G            | 6%                              | 6%                              |
| Total        | 100%                            | 100%                            |

- 1 In 2021, approximately 36% of the mortgage portfolio has a confirmed energy label.
- 2 In 2020, approximately 30% of the mortgage portfolio had a confirmed energy label.

Due to the slowdown in residential construction and reductions in government green incentives to homeowners, we are still not on track to meet the emissions reduction goals

in the Dutch Climate Agreement. Our original ambitions of achieving an average label B in 2024 and label A in 2030 will probably not be feasible due to the aforementioned delays.

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.

Pending the development of our Target Pathway in 2022, the current best measure of our impact and progress towards improving the energy efficiency of our portfolio is the percentage of customers that finance sustainability measures in their mortgage application. In 2021 we aimed for 25% and realized 25%. In total this amounted to about EUR 250 million invested in sustainability measures. In 2022 we will raise our ambition to 30%. In addition, we continue to stimulate our existing client base to implement energy saving measures (now or in the future) with "house scans", aiming at a total of 143,000 home scans in 2022 (2021: 67,790).

## EU Taxonomy

### EU Taxonomy Mandatory disclosure under Article 8 delegated act:

The EU taxonomy is a classification system, establishing a list of eligible, environmentally sustainable economic activities.

In the current year, Rabobank is required to disclose Taxonomy eligibility. Eligibility indicates that an activity is in scope for screening under the Taxonomy regulation. In the future eligible activities will be tested using the Technical Screening Criteria to determine Taxonomy alignment.

We perform the eligibility assessment on our portfolio with the scope of the full consolidated statement of financial position for Rabobank.

| Amounts in EUR millions  | Taxonomy eligible | Taxonomy non-eligible | Total   | % coverage over total assets |
|--|-------------------|-----------------------|---------|------------------------------|
| Total assets   | 192,712           | 450,391               | 643,103 | 30%                          |
| Of which: trading portfolio and on demand inter-bank loans                     | 0                 | 24,593                | 24,593  | 4%                           |
| Total exposure to central governments, central banks and supranational issuers | 0                 | 131,682               | 131,682 | 20%                          |
| Total exposure to derivatives  | 0                 | 5,264                 | 5,264   | 1%                           |
| Total exposure to non-NFRD companies   | 0                 | 247,682               | 247,682 | 39%                          |

We express the eligible exposures as a percentage of total assets. In calculation the full eligibility ratio, the numerator excludes the trading portfolio and exposure to central governments, central banks and supranational issuers. The eligibility ratio as a percentage of these covered assets is 40%.

We have performed this assessment using gross carrying amounts based on regulatory reporting data. The use of gross carrying amounts is required under Taxonomy regulations. In the financial statements, net amounts are presented which reconcile on an underlying basis with the table above.

Eligibility-related mandatory disclosures of financial undertakings must be based on actual information. As our clients have not yet disclosed their taxonomy-eligibility, our mandatory disclosure is currently limited to our Dutch mortgage portfolio. Therefore, we also report zero eligible assets in our trading portfolio.

Over the coming years, we will work towards disclosing taxonomy alignment of our portfolio. This will entail improving

data quality and availability to overcome the limitations noted above and to acquire the data required to determine the alignment of our eligible clients.

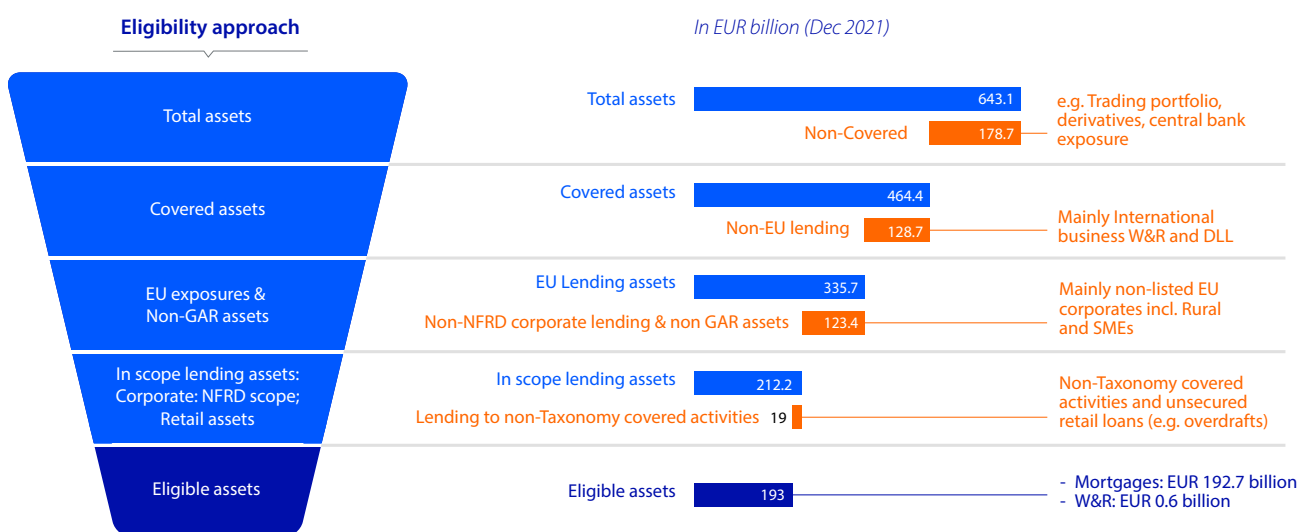
#### EU taxonomy, additional voluntary disclosure

In order to provide a transparent overview of our full portfolio, we include this additional voluntary disclosure. This disclosure focuses on providing a full overview of our assets' eligibility, combining the eligibility under the mandatory disclosure with estimated eligibility for our business portfolio. In order to perform this estimate, we utilize the sector of our business clients based on regulatory reporting as a proxy for the nature of their economic activities. We establish whether the sector of a client is included in the EU Taxonomy Compass. This compass shows the availability of screening criteria per sector. Any sector included in the Compass, we deem to be eligible.

This process yields the following results as seen in below figure.

### Eligibility methodology

Eligibility largely driven by mortgages; W&R eligibility limited as a result of regulatory scoping



Source: eligibility mock-up report Dec 2021 using Corep/Finrep data also used for Covid-19 reporting to regulator

As can be observed, the eligibility of our business portfolio is limited. Currently only EUR 0.6 billion of this portfolio is estimated to be eligible. A number of causes can be identified for this:

- A significant portion of our exposures are with clients that do not reside in the EU. These clients will not be subject to Taxonomy reporting requirements and inclusion in the voluntary framework could lead to volatility in this disclosure as the framework evolves.
- A further portion of our exposures within the EU are not with entities that are required to report under the Non-Financial Reporting Directive (NFRD). This EU taxonomy regulation implies direct reporting obligations only for the large public-interest EU companies with over 500 employees, which is a small portion of our corporate portfolio.

- As a final point, we note that under the current objectives in scope of the EU taxonomy, climate change mitigation and adaption, technical screening criteria are not available for a large portion of our exposure. Rabobank has a significant portfolio in the agricultural sector, for which no screening criteria are currently available. Due to this, these sectors are also not currently eligible under the taxonomy.



# Segment Reporting



# Domestic Retail Banking

## Highlights

In the Netherlands, Domestic Retail Banking (DRB) is a major provider of loans in the residential mortgage market and offers products and services in savings, payments, investments, and insurance. DRB is also market leader in the SME and Food & Agri markets. Net interest income was again pressured by the persistent negative interest rate environment, but only decreased by 2% as the benefit from our participation in the TLTRO III program partly compensated for this negative impact. Operating expenses increased by 8%, mainly caused by a provision to resolve backlogs in client due diligence and transaction monitoring as part of our KYC program and a provision to compensate part of our clients with certain consumer credit products with a variable interest rate. Impairment charges on financial assets showed a release of EUR 444 million as the anticipated deterioration of the credit quality of our loan portfolio did not materialize in 2021. Deposits from customers showed a strong increase of EUR 20.6 billion in 2021. Our mortgage loan portfolio increased to EUR 192.5 billion as repayments were offset by an increase in new mortgage origination.

## Financial Results

| <i>Results</i>   |                   |                   |               |
|--|-------------------|-------------------|---------------|
| <i>Amounts in millions of euros</i>                      | <i>12-31-2021</i> | <i>12-31-2020</i> | <i>Change</i> |
| Net interest income                                      | 4,520             | 4,615             | -2%           |
| Net fee and commission income                            | 1,490             | 1,314             | 13%           |
| Other results  | 76                | 30                | 153%          |
| <b>Total income</b>                                      | <b>6,086</b>      | <b>5,959</b>      | <b>2%</b>     |
| Staff costs  | 2,529             | 2,633             | -4%           |
| Other administrative expenses                            | 1,359             | 961               | 41%           |
| Depreciation and amortization                            | 126               | 135               | -7%           |
| <b>Total operating expenses</b>                          | <b>4,014</b>      | <b>3,729</b>      | <b>8%</b>     |
| <b>Gross result</b>                                      | <b>2,072</b>      | <b>2,230</b>      | <b>-7%</b>    |
| Impairment charges on financial assets                   | (444)             | 619               | -172%         |
| Regulatory levies  | 441               | 312               | 41%           |
| <b>Operating profit before tax</b>                       | <b>2,075</b>      | <b>1,299</b>      | <b>60%</b>    |
| Income tax   | 551               | 328               | 68%           |
| <b>Net profit</b>  | <b>1,524</b>      | <b>971</b>        | <b>57%</b>    |
|  |                   |                   |               |
| Impairment charges on financial assets (in basis points) | (16)              | 23                |               |

### Ratios

|  |       |       |
|--|-------|-------|
| Cost/income ratio including regulatory levies            | 73.2% | 67.8% |
| Underlying cost/income ratio including regulatory levies | 65.6% | 67.3% |

### Balance Sheet

| <i>Amounts in billions of euros</i>        |               |               |            |
|--|---------------|---------------|------------|
| External assets                            | 277.3         | 275.5         | 1%         |
| Private sector loan portfolio              | 273.9         | 271.3         | 1%         |
| Deposits from customers                    | 300.0         | 279.4         | 7%         |
|  |               |               |            |
| Number of internal employees (in FTEs)     | 20,504        | 20,317        | 1%         |
| Number of external employees (in FTEs)     | 5,517         | 5,963         | -7%        |
| <b>Total number of employees (in FTEs)</b> | <b>26,021</b> | <b>26,280</b> | <b>-1%</b> |

## Notes to the Financial Results

### Development of Underlying Profit Before Tax

| <i>Amounts in millions of euros</i>           | <i>12-31-2021</i> | <i>12-31-2020</i> |
|---|-------------------|-------------------|
| <b>Income</b>                                 | <b>6,086</b>      | <b>5,959</b>      |
| <b>Operating expenses</b>                     | <b>4,014</b>      | <b>3,729</b>      |
| <i>Adjustments to expenses</i>                |                   |                   |
| Restructuring expenses                        | (121)             | 46                |
| Derivatives framework                         | -                 | (18)              |
| Provision variable interest                   | 333               | 0                 |
| Provision KYC backlogs                        | 249               | 0                 |
| <b>Underlying expenses</b>                    | <b>3,553</b>      | <b>3,701</b>      |
| Impairment charges on financial assets        | (444)             | 619               |
| Regulatory levies                             | 441               | 312               |
| <b>Operating profit before tax</b>            | <b>2,075</b>      | <b>1,299</b>      |
| <b>Total adjustments</b>                      | <b>461</b>        | <b>28</b>         |
| <b>Underlying operating profit before tax</b> | <b>2,536</b>      | <b>1,327</b>      |

## Strong Increase of Underlying Performance

Excluding several exceptional items, DRB's performance improved sharply in 2021. Underlying operating profit before tax amounted to EUR 2,536 million, compared to EUR 1,327 million last year. The persistent negative interest environment continues to pressure our net interest income and the negative impact remains tangible. Nevertheless, income was higher in 2021 due to the benefit from our TLTRO III participation. Underlying operating expenses decreased by EUR 148 million. The deterioration of the credit quality of our loan portfolio that was anticipated did not materialize in 2021. The better-than-expected economic conditions and outlook resulted in a net release of impairment charges of EUR 444 million and had an upward effect on net profit.

## Slightly Higher Income

Total income increased to EUR 6,086 (2020: 5,959) million. Net interest income decreased to EUR 4,520 (2020: 4,615) million as a result of the pressure on all commercial margins because of the low interest rate environment and ample availability of liquidity in the market. Increasing volumes and the benefit from our participation in the TLTRO III program in 2021 (EUR 124 million) had an upward effect on net interest income. Net fee and commission income was 13% higher at EUR 1,490 (2020: 1,314) million, largely driven by higher fee income on mortgages, payments, and assets under management. Other results increased to EUR 76 (2020: 30) million, mainly as a result of fair value adjustments on securitization transactions.

## Operating Expenses Increased

Total operating expenses are higher than last year and amounted to EUR 4,014 (2020: 3,729) million. Staff costs decreased by 4% to EUR 2,529 (2020: 2,633) million. Lower staff costs were partly due to a smaller average workforce than in 2020 as a consequence of the implementation of strategic initiatives related to the continuing transformation of our client service model. The decrease in FTEs was partly offset by the extra staffing requirements for KYC and regulatory projects. The main driver behind the lower staff costs was lower expenses attributed to temporary and external staff. Travel expenses and training expenses were also lower than last year, which can be largely attributed to the Covid-19 pandemic. Other administrative expenses went up to EUR 1,359 (2020: 961) million. Following Kifid (Dutch Institute for Financial Disputes) rulings, we recognized that we did not consistently adjust our interest rates in accordance with a particular reference rate for a group of our consumer credit clients. Therefore, other administrative expenses include a provision of EUR 333 million to compensate part of our clients with certain consumer credit products with a variable interest rate. In addition, for our efforts to resolve backlogs in client due diligence and transaction monitoring (part of our KYC program), we recognized a provision of EUR 249 million. The increase in other administrative expenses was partly offset by lower restructuring expenses. Restructuring costs were lower at minus EUR 121 (2020: 46) million. The workforce at local banks decreased in 2021, with many employees voluntarily accepting a position outside the organization and others finding another job within our organization. Consequently, our restructuring expenses were lower than anticipated. Other administrative expenses were also positively impacted in 2020 by a VAT relief. Depreciation and amortization was lower at EUR 126 (2020: 135) million.

## Very Low Impairment Charges on Financial Assets

Although we anticipated a deterioration of the credit quality of our loan portfolio that would lead to a high level of impairment charges on financial assets in 2021, it still has not happened. The positive developments caused by the improved economic outlook and ongoing government support measures resulted in a net release of impairment charges of EUR 444 million, which translates to minus 16 (2020: 23) basis points of the average private sector loan portfolio and is well below the long-term average of 19 basis points.

## Loan Portfolio Increased

In 2021, clients' extra mortgage repayments – all those on top of the mandatory repayments – at local Rabobanks and Obvion totaled approximately EUR 23.1 (2020: 22.6) billion. Of this amount, EUR 4.4 (2020: 4.1) billion related to partial repayments and EUR 18.6 (2020: 18.5) 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, 2021, was EUR 192.5 (2019: 188.8) billion. The figure includes Obvion's loan portfolio, which is valued at EUR 32.3 (2020: 31.0) billion. The total DRB portfolio (including business lending) increased to EUR 273.9 (2020: 271.3) billion.

### Loan Portfolio by Sector

| Amounts in billions of euros                  | 12-30-2021   | 12-31-2020   |
|---|--------------|--------------|
| Volume of loans to private individuals        | 203.3        | 201.4        |
| Volume of loans to Trade, Industry & Services | 48.2         | 47.3         |
| Volume of loans to Food & Agri                | 22.4         | 22.6         |
| <b>Private sector loan portfolio</b>          | <b>273.9</b> | <b>271.3</b> |

## Mortgage Loan Portfolio

Rabobank's share of the Dutch mortgage market decreased to 20.8% (2020: 22.0%) of new mortgage production in 2021. The local Rabobanks' market share was somewhat lower at 14.0% (2020 15.7%), the market share of Vista increased to 2.1% (2020: 1.3%), while Obvion's market share decreased to 4.7% (2020: 5.0%). The downward trend in non-performing loans, which account for 0.33% of the mortgage loan portfolio, continued throughout the year. Financing backed by the National Mortgage Guarantee (Nationale Hypotheek Garantie (NHG)) decreased to 16.3% (2020: 17.5%). The weighted-average indexed loan-to-value (LTV) of the mortgage loan portfolio was 52% (2020: 57%) on December 31, 2021.

### Residential Mortgage Loans

| Amounts in millions of euros                                 | 12-31-2021 | 12-31-2020 |
|--|------------|------------|
| Mortgage portfolio   | 192,450    | 188,761    |
| Weighted-average LTV   | 52%        | 57%        |
| Non-performing loans (amount)                                | 642        | 1,253      |
| Non-performing loans (in % of total mortgage loan portfolio) | 0.33%      | 0.66%      |
| More-than-90-days arrears                                    | 0.09%      | 0.12%      |
| Share NHG portfolio  | 16.3%      | 17.5%      |
| Impairment allowances on financial assets                    | 110        | 153        |
| Coverage ratio non-performing loans                          | 8%         | 7%         |
| Net additions  | (42)       | (13)       |
| Net additions (in basis points)                              | (2)        | (1)        |
| Write-offs   | (14)       | 27         |

### Deposits from Customers Increased by EUR 21 Billion

The private savings market in the Netherlands grew by 4% to EUR 407.2 (2020: 390.0) billion on December 31, 2021, partly due to less consumer spending following the Covid-19 pandemic. Our market share was 34.9% (2020: 34.7%). Deposits from customers rose by 7% to EUR 300.0 (2020: 279.4) billion. Retail savings deposited at DRB increased by EUR 9.3 billion to EUR 144.1 (2020: 134.8) billion. Other deposits from customers went up by EUR 11.3 billion to EUR 155.9 billion mainly due to an increase in current accounts.

### Strong Increase in Assets Under Management

In 2021, assets under management increased by EUR 9.6 billion, to EUR 62.5 (2020: 52.9) billion. This positive development is largely the result of stock market development and partly driven by net inflow of investments. On the back of the strong economic rebound and a more positive outlook, most stock markets had a good year: on average, shares generated positive returns for clients.

## Wholesale & Rural

### Highlights

Wholesale & Rural (W&R) operates in five regions: Europe & Africa, North America, South America, Australia & New Zealand, and Asia. Our Banking for Food and Banking for the Netherlands strategies drive the W&R portfolio. W&R's performance in 2021 was substantially higher than last year, as illustrated by the development of net profit, which increased by EUR 1,087 million. Impairment charges on financial assets were EUR 842 million lower as a result of economic recovery and a more positive outlook. Income increased by 29%, driven by solid performance of M&A, Capital Markets, and Rabo Investments, which were the main business lines that negatively impacted W&R's results in 2020.

### Financial Results

| <i>Results</i>   |                   |                   |               |
|--|-------------------|-------------------|---------------|
| <i>Amounts in millions of euros</i>                      | <i>12-31-2021</i> | <i>12-31-2020</i> | <i>Change</i> |
| Net interest income                                      | 2,447             | 2,197             | 11%           |
| Net fee and commission income                            | 433               | 361               | 20%           |
| Other results  | 644               | 164               | 293%          |
| <b>Total income</b>                                      | <b>3,524</b>      | <b>2,722</b>      | <b>29%</b>    |
| Staff costs  | 1,288             | 1,243             | 4%            |
| Other administrative expenses                            | 379               | 224               | 69%           |
| Depreciation and amortization                            | 98                | 90                | 9%            |
| <b>Total operating expenses</b>                          | <b>1,765</b>      | <b>1,557</b>      | <b>13%</b>    |
| <b>Gross result</b>                                      | <b>1,759</b>      | <b>1,165</b>      | <b>51%</b>    |
| Impairment charges on financial assets                   | 41                | 883               | -95%          |
| Regulatory levies  | 218               | 149               | 46%           |
| <b>Operating profit before tax</b>                       | <b>1,500</b>      | <b>133</b>        | <b>1028%</b>  |
| Income tax   | 397               | 117               | 239%          |
| <b>Net profit</b>  | <b>1,103</b>      | <b>16</b>         | <b>6794%</b>  |
|  |                   |                   |               |
| Impairment charges on financial assets (in basis points) | 4                 | 81                |               |

#### *Ratios*

|  |       |       |
|--|-------|-------|
| Cost/income ratio including regulatory levies            | 56.3% | 62.7% |
| Underlying cost/income ratio including regulatory levies | 57.0% | 61.3% |

#### *Balance Sheet*

| <i>Amounts in billions of euros</i>    |        |       |    |
|--|--------|-------|----|
| External assets                        | 140.3  | 135.5 | 4% |
| Private sector loan portfolio          | 108.6  | 105.9 | 3% |
|  |        |       |    |
| Number of internal employees (in FTEs) | 8,648  | 8,256 | 5% |
| Number of external employees (in FTEs) | 1,422  | 1,407 | 1% |
| Total number of employees (in FTEs)    | 10,070 | 9,663 | 4% |

### Notes to the Financial Results

| <i>Development of Underlying Profit Before Tax</i> |                               |                   |           |
|--|-------------------------------|-------------------|-----------|
| <i>Amounts in millions of euros</i>                | <i>12-31-2021</i>             | <i>12-31-2020</i> |           |
| <b>Income</b>                                      | <b>3,524</b>                  | <b>2,722</b>      |           |
| <i>Adjustments to income</i>                       | <i>Fair value items</i>       | <i>(34)</i>       | <i>48</i> |
| <b>Underlying income</b>                           | <b>3,490</b>                  | <b>2,770</b>      |           |
| <b>Operating expenses</b>                          | <b>1,765</b>                  | <b>1,557</b>      |           |
| <i>Adjustments to expenses</i>                     | <i>Restructuring expenses</i> | <i>(6)</i>        | <i>7</i>  |
| <b>Underlying expenses</b>                         | <b>1,771</b>                  | <b>1,550</b>      |           |
| Impairment charges on financial assets             | 41                            | 883               |           |
| Regulatory levies                                  | 218                           | 149               |           |
| <b>Operating profit before tax</b>                 | <b>1,500</b>                  | <b>133</b>        |           |
| <b>Total adjustments</b>                           | <b>(40)</b>                   | <b>55</b>         |           |
| <b>Underlying operating profit before tax</b>      | <b>1,460</b>                  | <b>188</b>        |           |

### Underlying Performance Shows Strong Rebound

After a difficult 2020, W&R showed a strong rebound on the back of economic recovery. The underlying operating profit before tax in 2021 amounted to EUR 1,460 million compared to EUR 188 million in 2020. The calculation includes an adjustment for fair value items and restructuring costs. Total underlying income increased by 26%, mainly driven by the strong performance from event-driven business and the robust results of Rabo Investments. By comparison, in 2020, these business lines were negatively impacted by the Covid-19 pandemic, but the effects of the strong economic rebound became tangible during 2021. Credit quality remained better than expected and resulted in significant lower impairment charges on financial assets (EUR 842 million lower) and an upward effect on profit.

### Income Increased by 29%

W&R's income increased to EUR 3,524 (2020: 2,722 million in 2021. Net interest income ended up 11% higher at EUR 2,447 (2020: 2,197) million. The benefit from our participation in the



TLTRO III program in 2021 (EUR 93 million) and increasing asset levels partly driven by higher commodity prices contributed to this increase. Net fee and commission income was higher and amounted to EUR 433 (2020: 361) million, due to the robust performance of the event-driven business (M&A and Capital Markets) after a modest previous year. Other results increased significantly by EUR 480 million to EUR 644 (2020: 164) million, driven by EUR 342 million higher income from the high-performing portfolio of Rabo Investment. These improved results were driven by a combination of Covid-19 reversals which benefited the entire sector, a number of successful exits, and stock price performance.

### Higher Operating Expenses

Operating expenses were higher in 2021, amounting to EUR 1,765 (2020: 1,557) million. Staff numbers at W&R showed a 4% increase, which can be explained by growth initiatives within Rural and additional staff related to structural investments in infrastructure and compliance. Staff costs increased to EUR 1,288 (2020: 1,243) million, but this increase was partly compensated by lower expenses for travel, hotels, and recruitment related to Covid-19 measures. Other administrative expenses increased to EUR 379 (2020: 224) million as we benefited from an incidental VAT relief in 2020. In addition, other administrative expenses in 2021 were negatively impacted by higher impairments on self-developed software. Depreciation and amortization went up to EUR 98 (2020: 90) million because of increased depreciation on large infrastructural projects.

### Low Impairment Charges on Financial Assets

The Covid-19 pandemic made 2020 a year of high impairment charges, but at EUR 41 (2020: 883) million in 2021, the level of impairment charges was low. Because the expected deterioration of the credit quality did not materialize in 2021, hardly any significant specific provisions have been taken. This trend is visible across almost all regions and all business lines. Total impairment charges on financial assets amounted to 4 (2020: 81) basis points of the average private sector loan portfolio, well below the long-term average of 48 basis points.

### Loan Portfolio Increased by 3%

In 2021, the total private sector loan portfolio of W&R increased to EUR 108.6 (2020: 105.9) billion. This increase is completely attributable to FX effects. Corrected for FX effects the portfolio decreased by around EUR 1.3 billion. The volume of lending to the Food & Agri sector increased to EUR 67.7 (2020: 61.6) billion, which accounted for 62% (2020: 58%) of W&R's total loan portfolio. Loans to the Trade, Industry, and Services (TIS) sectors decreased to EUR 40.4 (2020: 43.6) billion.

## Dutch and International Wholesale

The Wholesale portfolio totaled EUR 71.4 (2020: 65.3) billion. Excluding FX effects the Wholesale portfolio increased by approximately EUR 3.3 billion. Lending to the largest Dutch companies increased in 2021 to EUR 30.1 (2020: 25.4) billion. The size of the Wholesale loan portfolio granted to clients outside the Netherlands was EUR 41.3 (2020: 39.9) billion on December 31, 2021.

## International Rural Banking

Lending to Rural clients amounted to EUR 34.7 (2020: 32.7) billion. Excluding FX effects the Rural portfolio increased by approximately EUR 0.8 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 11.1 (2020: 10.9) billion, in New Zealand EUR 7.3 (2020: 7.0) billion, in the United States EUR 11.9 (2020: 10.8) billion, in Brazil EUR 3.3 (2020: 3.0) billion, and EUR 1.0 (2020: 0.9) billion in Chile, Peru, and Argentina in aggregate.

## Deposits at RaboDirect Decreased by 53%

International Direct Banking (IDB) is our online savings bank that operates in Belgium, Germany, Australia, and New Zealand. Deposits entrusted by clients to IDB are used for funding our international Rural banking business and other divisions. Earlier this year we officially announced our decision to discontinue our direct banking operations in Europe. Consequently, the savings balances of IDB decreased to EUR 11.8 (2020: 25.0) billion on December 31, 2021. The number of online savings bank clients also declined, to approximately 525,000 (2020: 685,000). The total wind-down of IDB Europe is expected to be completed in the course of 2022.

# 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 EUR 411 million increase in DLL's net profit to EUR 575 million can be primarily attributed to a significantly lower level of impairment charges on financial assets (a net release of EUR 74 million) as a result of more favorable economic conditions. The lease portfolio grew by almost 3% (excluding FX effects) when compared to 2020. On December 31, 2021, the Food & Agri share of the portfolio amounted to EUR 16.5 (2020: 14.7) billion, representing 44% (2020: 42%) of the DLL portfolio.

## Financial Results

| <i>Results</i>   |                   |                   |               |
|--|-------------------|-------------------|---------------|
| <i>Amount in millions of euros</i>                       | <i>12-31-2021</i> | <i>12-31-2020</i> | <i>Change</i> |
| Net interest income                                      | 1,147             | 1,100             | 4%            |
| Net fee and commission income                            | 105               | 106               | -1%           |
| Other results  | 294               | 292               | 1%            |
| <b>Total income</b>                                      | <b>1,546</b>      | <b>1,498</b>      | <b>3%</b>     |
| Staff costs  | 562               | 537               | 5%            |
| Other administrative expenses                            | 202               | 200               | 1%            |
| Depreciation and amortization                            | 26                | 27                | -4%           |
| <b>Total operating expenses</b>                          | <b>790</b>        | <b>764</b>        | <b>3%</b>     |
| <b>Gross result</b>                                      | <b>756</b>        | <b>734</b>        | <b>3%</b>     |
| Impairment losses on goodwill                            | 0                 | 70                | -100%         |
| Impairment charges on financial assets                   | (74)              | 410               | -118%         |
| Regulatory levies  | 46                | 29                | 59%           |
| <b>Operating profit before tax</b>                       | <b>784</b>        | <b>225</b>        | <b>248%</b>   |
| Income tax   | 209               | 61                | 243%          |
| <b>Net profit</b>  | <b>575</b>        | <b>164</b>        | <b>251%</b>   |
|  |                   |                   |               |
| Impairment charges on financial assets (in basis points) | (21)              | 127               |               |

### Ratios

|  |       |       |
|--|-------|-------|
| Cost/income ratio including regulatory levies            | 54.1% | 52.9% |
| Underlying cost/income ratio including regulatory levies | 53.8% | 52.3% |

### Balance Sheet

| <i>Amounts in billions of euros</i>        |              |              |           |
|--|--------------|--------------|-----------|
| Lease portfolio                            | 37.4         | 34.9         | 7%        |
|  |              |              |           |
| Number of internal employees (in FTEs)     | 5,155        | 5,168        | 0%        |
| Number of external employees (in FTEs)     | 333          | 341          | -2%       |
| <b>Total number of employees (in FTEs)</b> | <b>5,488</b> | <b>5,509</b> | <b>0%</b> |

## Notes to the Financial Results

### Development of Underlying Profit Before Tax

| <i>Amounts in millions of euros</i>           | <i>12-31-2021</i> | <i>12-31-2020</i> |
|---|-------------------|-------------------|
| <b>Income</b>                                 | <b>1,546</b>      | <b>1,498</b>      |
| <b>Operating expenses</b>                     | <b>790</b>        | <b>764</b>        |
| Adjustments to expenses                       |                   |                   |
| Restructuring expenses                        | 4                 | 10                |
| <b>Underlying expenses</b>                    | <b>786</b>        | <b>754</b>        |
| Impairment losses on goodwill                 | 0                 | 70                |
| Impairment charges on financial assets        | (74)              | 410               |
| Regulatory levies                             | 46                | 29                |
| <b>Operating profit before tax</b>            | <b>784</b>        | <b>225</b>        |
| <b>Total adjustments</b>                      | <b>4</b>          | <b>10</b>         |
| <b>Underlying operating profit before tax</b> | <b>788</b>        | <b>235</b>        |

## Income Increased by 3%

Total income of the Leasing segment increased to EUR 1,546 (2020: 1,498) million in 2021. Net interest income increased by 4% to EUR 1,147 (2020: 1,100) million, which can be primarily attributed to the growth of the portfolio. As a result of supply chain disruptions and product shortages, income on the short-term commercial finance business was lower, but this was compensated by higher income on long-term lease business. Net fee and commission income was stable at EUR 105 (2020: 106) million. Other results, composed mostly of income from operating leases and sales of end-of-lease assets, remained stable at EUR 294 (2020: 292) million.

## Operating Expenses Higher

Total operating expenses in the Leasing segment increased by 3% to EUR 790 (2020: 764) million. Staff costs increased by 5% to EUR 562 (2020: 537) million in line with business growth. The increase was partly tempered by lower travel costs, as

international mobility continued to be affected by Covid-19 restrictions. Staff numbers in the Leasing segment decreased by 21 FTEs to 5,488 FTEs in 2021. Other administrative expenses remained at the same level as in 2020 and amounted to EUR 202 (2020: 200) million. The total amount for depreciation and amortization was also stable at EUR 26 (2020: 27) million.

### Impairment Charges on Financial Assets

In 2020, impairment charges were high (EUR 410 million) as a result of the deteriorating outlook created by the Covid-19 pandemic. DLL supports customers affected by both the pandemic and the subsequent containment measures taken by governments in several markets by granting temporary payment relief when needed. Due to much improved macroeconomic conditions in 2021, and credit quality remaining higher than expected, DLL was able to reverse previously booked provisions, resulting in impairment charges on financial assets of minus EUR 74 million. This result corresponds to minus 21 (2020: 127) basis points of the average loan portfolio and is below DLL's long-term average of 52 basis points.

### Higher Lease Portfolio

The lease portfolio grew by 7% to EUR 37.4 (2020: 34.9) billion, primarily due to changes in exchange rates. Excluding FX effects, the lease portfolio grew by 3%. In 2021, the Food & Agri share of the portfolio increased to EUR 16.5 (2020: 14.7) billion, representing 44% (2020: 42%) 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 negatively impact the segment's results as the housing market remained strong with remarkably high activity levels. The results at BPD were higher than in 2020 as a result of the strong housing market and improved margins in both the Netherlands and Germany. Since 2018 the activities of Bouwfonds Investment Management (BIM) have been being phased out and therefore represent only a small part of the results.

## Financial Results

| <i>Results</i>                         |                   |                   |               |
|--|-------------------|-------------------|---------------|
| <i>Amount in millions of euros</i>     | <i>12-31-2021</i> | <i>12-31-2020</i> | <i>Change</i> |
| Net interest income                    | (23)              | (16)              | -44%          |
| Net fee and commission income          | 0                 | 1                 | -100%         |
| Other results                          | 401               | 309               | 30%           |
| <b>Total income</b>                    | <b>378</b>        | <b>294</b>        | <b>29%</b>    |
| Staff costs                            | 102               | 91                | 12%           |
| Other administrative expenses          | 28                | 32                | -13%          |
| Depreciation and amortization          | 9                 | 9                 | 0%            |
| <b>Total operating expenses</b>        | <b>139</b>        | <b>132</b>        | <b>5%</b>     |
| <b>Gross result</b>                    | <b>239</b>        | <b>162</b>        | <b>48%</b>    |
| Impairment charges on financial assets | 0                 | 1                 | -100%         |
| Regulatory levies                      | 2                 | 1                 | 100%          |
| <b>Operating profit before tax</b>     | <b>237</b>        | <b>160</b>        | <b>48%</b>    |
| Income tax                             | 51                | 45                | 13%           |
| <b>Net profit</b>                      | <b>186</b>        | <b>115</b>        | <b>62%</b>    |
| <i>of which: BPD</i>                   | <i>178</i>        | <i>120</i>        | <i>48%</i>    |

### Ratios

|   |       |       |
|---|-------|-------|
| Cost/income ratio incl. regulatory levies | 37.3% | 45.2% |
|---|-------|-------|

### Balance Sheet

|                                 |       |       |    |
|---------------------------------|-------|-------|----|
| Number of property transactions | 8,903 | 8,901 | 0% |
|---------------------------------|-------|-------|----|

### Amounts in billions of euros

|                |     |     |    |
|----------------|-----|-----|----|
| Loan portfolio | 0.1 | 0.1 | 0% |
|----------------|-----|-----|----|

|  |     |     |    |
|--|-----|-----|----|
| Number of internal employees (in FTEs) | 711 | 655 | 9% |
| Number of external employees (in FTEs) | 95  | 93  | 2% |
| Total number of employees (in FTEs)    | 806 | 748 | 8% |

## Notes to the Financial Results

### Development of Underlying Operating Profit Before Tax

| <i>Amounts in millions of euros</i>    | <i>12-31-2021</i> | <i>12-31-2020</i> |
|--|-------------------|-------------------|
| <b>Income</b>                          | <b>378</b>        | <b>294</b>        |
| <b>Operating expenses</b>              | <b>139</b>        | <b>132</b>        |
| Impairment charges on financial assets | 0                 | 1                 |
| Regulatory levies                      | 2                 | 1                 |
| <b>Operating profit before tax</b>     | <b>237</b>        | <b>160</b>        |
| <b>Total adjustments</b>               | <b>0</b>          | <b>0</b>          |
| <b>Underlying profit before tax</b>    | <b>237</b>        | <b>160</b>        |

### Strong Housing Market Boosted Income

The Property Development segment's total income increased to EUR 378 (2020: 294) million. BPD's solid performance is mainly due to the persistent high activity on the housing market. In addition, margins improved in both the Netherlands and Germany.

### Operating Expenses 5% Higher

Total operating expenses were higher at EUR 139 (2020: 132) million. Higher staff numbers to support business growth resulted in an increase in staff costs of EUR 11 million compared to 2020, totaling EUR 102 (2020: 91) million. Staff numbers increased by 8% to 806 FTEs on December 31, 2021. Other administrative expenses were lower at EUR 28 (2020: 32) million. Depreciation and amortization landed at EUR 9 (2020: 9) million.

### Stable Number of Property Transactions

The number of residential property transactions remained at a high level and amounted to 8,903 (2020: 8,901). The number of residential property transactions include 205 (2020: 743) transactions with BPD Woningfonds. This rental housing fund will add to the Dutch housing market 15,000 energy-efficient, sustainable, and mid-price rental homes with average rents. BPD Woningfonds is an initiative of Rabobank and BPD aims

to contribute to addressing the pressing demand for housing among those on middle incomes. These new-build properties are being developed by BPD. Excluding the transactions with BPD Woningfonds, the number of transactions increased by 540 or 7%. Covid-19 had no negative impact on the level of transactions in 2021. In the Netherlands, the number of transactions amounted to 6,376 (2020: 6,375) and the total number of transactions in Germany was 2,527 (2020: 2,526).



# Outlook

## 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 and Agriculture bank by supporting our clients and navigating Food and Agriculture 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 and Agriculture 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.

## 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 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.

## Priorities for 2022

We stay committed to our mission *Growing a better world together* and the cooperative banking model is our way forward. Meanwhile, the world in which we operate is continuously changing. Geopolitical unrest is undiminished and trade wars are reshaping the global economy. The banking sector is under pressure due to low interest rates, supply chain issues, commoditization, stricter regulatory requirements, sustainability goals, competition from big tech and economic rigor from Covid-19. This will affect our clients and the banking landscape.

Despite the intentions and ambitions of the Paris Climate Agreement, the world is warming up, which poses risks for the environment, and e.g. 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.

This environment urges us to remain keen to manage our cost levels, safeguard a robust top line, while being in control of our risks. The introduction of an efficiency program to offer better service at a lower cost has led to significant cost reduction. This program will proceed in 2022.

As a cooperative bank with a mission, Rabobank operates at the core of society to make the world a better place: Growing a better world together. This mission includes protecting our customers, members and society from financial crime. We take our role as gatekeeper to the financial system very seriously. It is part of our responsibility as a bank and a prerequisite for successfully carrying out our mission. It goes without saying that we want to comply with the applicable laws and regulations.

Our press release of 15 November 2021 announced that Rabobank received a draft instruction (voorgenomen aanwijzing) from the Dutch Central Bank (DNB) on 12 October 2021. Subsequently, Rabobank received the instruction (aanwijzing) on 23 December 2021. In this instruction, DNB determines that Rabobank does not meet the requirements of the Dutch Anti-Money Laundering and Anti-Terrorist Financing Act (Wet ter voorkoming van witwassen en financieren van terrorisme, Wwft). DNB orders Rabobank to remedy deficiencies regarding its Dutch retail division's compliance with the Wwft by 15 December 2023 at the latest. We also announced on 15 November 2021 that DNB informed the bank that a separate punitive enforcement procedure would commence, the outcome of which is not yet known.

While Rabobank has made substantial investments and improvements, the bank acknowledges that it has not yet remedied the deficiencies in order to adequately meet the requirements of the Wwft. Rabobank will therefore continue and increase its efforts and investments in the

necessary expertise, technology and systems to build a robust and future-proof KYC organization that adequately meets the requirements of the Wwft. Ensuring this is an ongoing process and has the bank's full attention. Rabobank's KYC enhancement program is executed under the direct responsibility of the Managing Board. In addition, a new position within the Managing Board will be created with a specific focus on KYC compliance.

Notwithstanding our responsibility to adequately meet the requirements of the Wwft, providing a sound and effective financial system requires a joint effort from- and optimal cooperation throughout the chain by the different types of parties involved. In addition to banks, the government, the FIU, law enforcement and regulators also play an important role. Rabobank will continue to promote even closer cooperation between banks and the various parties in the public sector. Transaction Monitoring Netherlands (TMNL), in which the transactions of five banks are monitored collectively, is a first step. It is our strong belief that in a better world there should be no place for criminal money obtained from activities such as drug trafficking, human trafficking, arms trafficking and child labor.

We believe that, in order to remain competitive, we must also simplify our operating models and accelerate our digitization. We need to become a "digital first" organization, in terms of infrastructure and client services. To do so, we work on a phased implementation of a full agile model. The next step is further expansion to our Finance and Risk domain. Furthermore, we aim to standardize our underlying technical platforms and common application components as much as possible in order to be able to respond fast to changing client needs and expectations.

At the same time, we continue our path as a cooperative. We have a duty to safeguard our cooperative business model. We will seek close 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.

## Financial Outlook

The global economy showed a strong rebound in 2021, resulting in a growth of the worldwide GDP. In 2022 it is expected that GDP will further increase by approximately 3.6%. Nonetheless, there are currently many uncertainties surrounding Covid-19 and possible effects that may still occur

in the coming years. The spread of new variants of the coronavirus continues to cause uncertainty in large parts of the world and it is not yet possible to see the end of all restrictive measures. It is also not completely clear yet what the effects will be when the Dutch government support packages are definitively phased out. We therefore remain alert about our cost of risk because the credit quality of our loan portfolio could still be impacted in 2022 and the years after.

Furthermore, as we describe in [Key Trends and Uncertainties](#), geopolitical unrest, trade wars, shortages of parts, strained transportation capacity, high energy prices, and a labor mismatch also constrain economic capacity. Also, labor shortages and a competition for talent are identified as emerging risks, which result in a higher turnover of personnel and long outstanding vacancies in areas such as IT, information security, and data analytics.

We expect higher inflation, which reflects energy price increases and other supply bottlenecks, will last longer than originally anticipated. Nevertheless, elevated inflation is expected to be transient and a return to the normal ranges is expected in most countries at some point in 2022.

# 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;
- Has ensured the integrity of the Management Report, which is presented in accordance with the <IR> Framework.

## Managing Board

Wiebe Draijer, *Chair*

Bas Brouwers, *CFO*

Els de Groot, *CRO*

Kirsten Konst, *Member*

Bart Leurs, *Member*

Mariëlle Lichtenberg, *Member*

Berry Marttin, *Member*

Janine Vos, *Member*

# *Corporate Governance*



# Contents

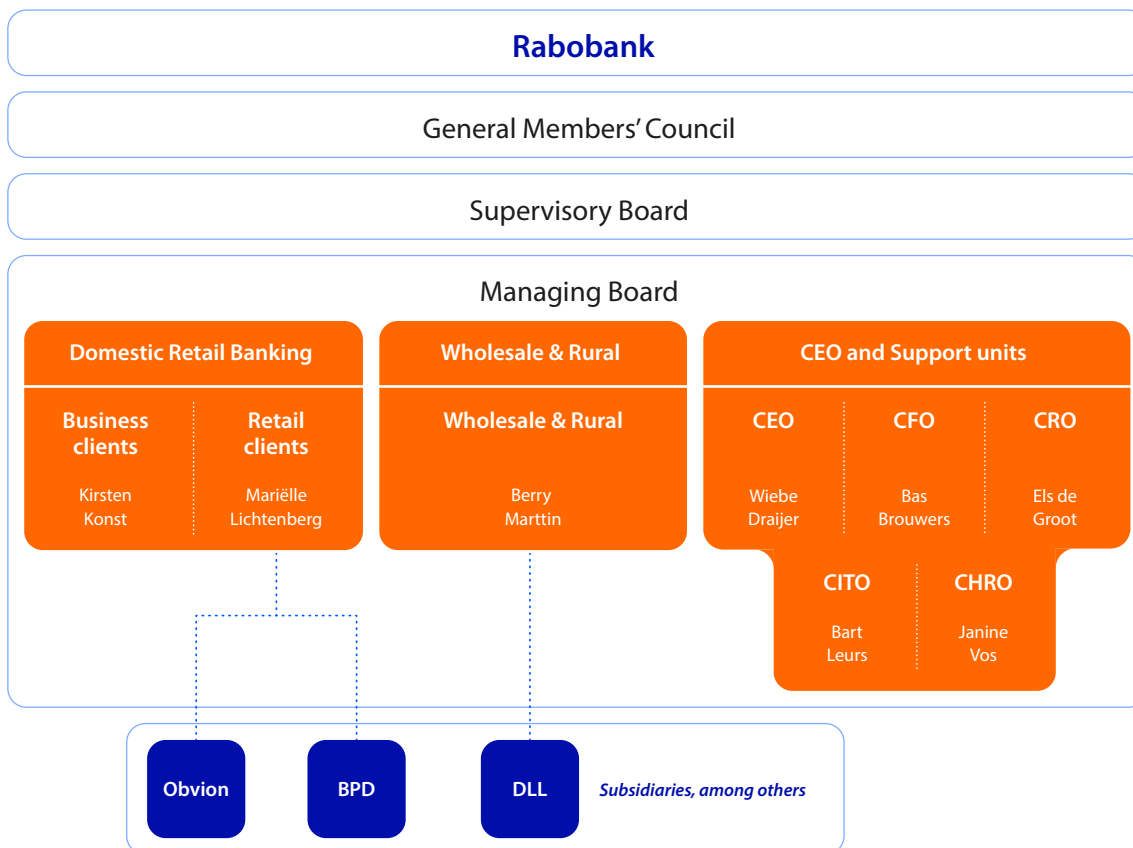
|   |     |
|---|-----|
| Corporate Governance                          | 98  |
| Corporate Governance Codes                    | 102 |
| Remuneration                                  | 103 |
| Report of Rabobank's Supervisory Board        | 109 |
| Members of the Managing and Supervisory Board | 118 |



# Corporate Governance

Our current governance structure has been in place since January 2016. Since the cooperative Rabobank was founded in the Netherlands at the end of the 19th century, Dutch member representatives have taken part in all formal governance bodies and act as owners of the entire Rabobank Group. All local Rabobanks in the Netherlands 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 with society for local Rabobanks and Rabobank Group Organization. This cooperative governance structure safeguards 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.

## Rabobank Organization Chart



## 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 structure 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 very important for the future development of the bank. That is why Rabobank continuously organizes dialog sessions with grass-root members to discuss ways to address major societal themes at the local and national level.

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

### Members

Cooperatives are distinguished by the fact that clients can become members, and members give cooperatives legitimacy. By year end 2021, the counter stood at 2,113,758 members. This member growth mirrors our intensified efforts to attract new members based on the recommendations of our cooperative renewal project. This project aims to give membership more substance and meaning. Currently, more than 25% of our clients are members of a local Rabobank. 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.

### Local Members' Councils (LMC)

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. In 2021, new internal training courses for LMCs were developed to improve their functioning and knowledge level. By year end 2021, the number of local councils were 84. We are aiming to increase the membership numbers of LMCs to maintain and strengthen local social networks. The members serving on these councils bring the outside world to the table every day. They help keep the local Rabobank on a cooperative track and provide their opinion on the quality of financial services offered locally and/or digitally. 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, the implementation of selected societal themes, as well as the supervision exercised by the members of the Local Supervisory Body (LSB).

### Local Supervisory Bodies (LSB)

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 the law. The Managing Board has instead delegated the LSBs specific local governance powers under the internal local Rabobank rules. By mid-November 2021, LSB members totaled 339. LSB members are represented on various governance bodies. In order to spread the workload of these activities, LSB members usually agree upon a division of roles, with one LSB member acting as chair of the LMC and two others representing their local bank in either the Regional Council or General Members' Council.

LSB chairs are key players in the collective governance system 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 the (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 focus on clients' long-term interests, contribute to the sustainable development of the local community, and strengthen the ties between the bank and the local community. The internal financial reporting system enables LSBs to monitor the performance of local banks. As a result of governance changes, risk and compliance aspects are no

longer part of the LSBs' responsibilities, but the focus has shifted to monitoring the quality of customer services, the banks' social performance, and their cooperative identity.

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 more awareness of the importance of participating in various networks and stimulating a lively dialog with grass-root members. Strong connections with local communities and members constitute the differentiating characteristic of a cooperative bank. LSBs have formal rights relating to appointing, assessing, and suspending the local banking director. As a result, LSBs have a tool to guarantee cooperative leadership at their bank. The LSB is also authorized to approve a number of important local decisions, i.e. local budget and local strategy as derivatives of the overarching budget and strategy of Domestic Retail Banking as agreed in the regional delegates' assembly and the GMC. Lastly, the LSB has an advisory role with regard to the local banking director.

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. In 2021, we organized two national conferences for all local supervisors, who can meet and share experiences at these gatherings. The main themes of the conferences were member representation and legitimacy, Rabobank's five societal, strategic themes, and the investment agenda for the coming years. Apart from these conferences, other tools are available to assess and improve the functioning of individual LSBs.

#### Regional districts and regional councils

Over the past years, an internal committee has evaluated the functioning of the governance. This assessment has led to some amendments to the Articles of Association. One adjustment concerned the allocation of local banks and departments into 14 regional districts. Each district operates with a regional council, an advisory council, and the overarching regional delegates' assembly. The regional council comprises one LSB member from each local bank in the region and addresses banking and cooperative issues in the district. The advisory council primarily focuses on the progress of the five selected societal themes. It consists of representatives from LMCs. The regional delegates' assembly has a basis in the Articles of Association and is important for the preparation for the General Members' Council (GMC). In this assembly, local general managers and LSB members from the same region meet each other. Regional delegates' assemblies are also responsible for strengthening their own

relationships with Rabobank and for consulting on ways the local banks can cooperate to support society in the region. They discuss the interests of the local banks, the entire Rabobank organization, and the cooperative banking sector in general. However, the primary cooperative focus is and remains local in order to safeguard and strengthen valuable social networks as a distinguishing feature of Rabobank. A fully regional cooperative orientation would negate this unique feature.

#### General Members' Council

The GMC is the highest decision-making body in the Rabobank governance and 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 convened five times virtually or physically in 2021. 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. In 2021, two ad-hoc committees were active: the committee on the evaluation of the governance and the committee on cooperative renewal. In the course of the year, we established a special committee to increase the knowledge of the GMC members about the international activities of Rabobank Group.

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. In 2021, the GMC paid a great deal of attention to the effects of Covid-19 on our customers, our members, on society at large, and on Rabobank. Another important agenda item concerned the governance review in connection with changes in the organizational structure of the local banking business under the project name Banking 3.5. This has resulted in some adjustments to the governance that have been incorporated into the Articles of Association approved by the GMC. A notable change concerned the formation of teams for servicing customers at the regional level and the establishment of a Regional Management Team, comprising all general managers of the local banks in the respective region. The Rabobank employees are on the payroll of the respective regional district. At the same time, the general managers at the local level have been endowed with important responsibilities to design and implement cooperative themes together with LMCs, LSBs, the regional council, and the advisory council in the respective regional district. This governance evaluation was coupled with the cooperative renewal project. The renewal

project aims to increase the attractiveness of membership and to stimulate members' participation in democratic processes, among other things. A key goal is to improve the way members are represented. Therefore, diversity and inclusion are high on the agenda of the GMC. One of the identified points of attention is to further increase diversity in all member-based governance 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 all bodies.

To perform its 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. It also 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.

In the governance structure, the general managers and all employees are entrusted with the important task of acting in harmony with the cooperative spirit, and of offering corresponding financial services. These managers are mandated by the Managing Board to safeguard their local orientation and firmly anchor their local Rabobanks in these communities. 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.

# 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](http://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](http://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.

An overview of the adherence to the NCR Code can be seen on [www.rabobank.com](http://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 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

## Employee proposition

Cooperative Rabobank as a favourite employer wants to attract, retain, develop and engage high performing talent. Our cooperative mission (which includes our environmental, social and governance goals - ESG) is central in our employee proposition. We want to empower our employees and stimulate diversity and inclusion. We offer our employees fair and competitive remuneration packages and an attractive working environment, a good pension structure and opportunities for personal growth. Our global performance management system GROW!, our worldwide education and training program and the provision of a personal development budget contribute to our employees' professional and personal development, enabling them to design their own careers, and contribute to the realization of strategic business goals and the transitions that are key to achieving our mission.

## Sustainable Remuneration Policy

Rabobank Group has a sustainable remuneration policy that is aligned with our cooperative objectives: we aim to reward at the median of the market; there is a very limited role for variable pay and our Managing Board has no variable pay component; and our performance targets include (where relevant) the banks ESG goals. Our remuneration policy takes into consideration the international context of the markets in which Rabobank is active, and the public interest. It is also in line with Rabobank Group's risk appetite and supports robust and effective risk management focused on the long-term performance of Rabobank Group, including ESG risk-related objectives. It focuses on the attention given to risks, discourages employees from taking undesirable risks (such as irresponsible sales practices), and it contributes to a strong capital position. The remuneration policy complies with the regulatory and legal requirements, taking into account the fact that Rabobank is a significant bank with an international scope and complex activities. The Group Remuneration Policy applies to all Rabobank Group employees at all levels and entities, and is updated annually.

The four basic principles underpinning our remuneration policy are: fairness and consistency; alignment with performance; the external perspective; and focus on total reward.

### *Fairness and consistency*

The policy promotes fairness and consistency in our approach to remuneration. It promotes equal treatment of all employees and aims at rewarding equal work equally. This is achieved

using a Hay job evaluation methodology, which analyzes and measures jobs, and assigns a job grade for each position. Each job grade is linked to a salary scale, which provides a range for the fixed remuneration.

### *Alignment with performance*

The remuneration policy supports the business strategy and reflects the performance of the bank, while promoting the long-term interests of Rabobank Group as a whole and its ESG ambitions. We use a combination of key performance indicators (KPIs) -the 'what'- and behavior and personal growth -the 'how'- to determine remuneration levels for each employee, thus ensuring a clear link between performance and remuneration. Our performance objectives consist of a balanced set of financial and non-financial criteria. At least half of the performance objectives must be non-financial. These are determined by collective and cascaded KPIs that are directly linked to the bank's strategic priorities, including ESG goals.

### *External perspective*

Rabobank aims at a median pay level within the relevant market, based on total remuneration. Nonetheless, Rabobank must be able to attract and retain people with the right capabilities at the right time and in the right markets at an appropriate cost.

### *Focus on Total Reward*

In addition to pay, Rabobank offers an attractive total rewards package. This includes opportunities for learning and development, a corporate well-being program, a pension scheme, workplace flexibility and career opportunities.

Each year the Supervisory Board reviews a group-wide report on remuneration. This report includes information on the pay packages of the highest earners, as well as information on 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 informed annually about pay levels and pay ratios within the Netherlands.

## Identified Staff

The group of employees with a material impact on Rabobank's risk profile is designated as Identified Staff. 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 four years. For those employees identified as "Senior management", however, the deferral policy stretches to five years. A deferral policy also applies to employees receiving variable pay above a certain amount, but not designated as Identified Staff, in order to allow for ex post testing. In 2021, 5 employees (all Identified Staff) earned a total remuneration (including pension contributions) of between EUR 1.0 and 1.5 million. One employee (Identified Staff) earned a total remuneration (including pension contributions) of between EUR 1.5 and 2 million.

## Executive Positions

The levels of management below the Managing Board are referred to as "executive positions". At year-end 2021, globally 203 employees (2020: 214) were in an executive position.

The fixed remuneration packages for executives are determined by job grades, based on Hay points. These job grades are linked to five executive salary ranges. The majority of executives receive only fixed remuneration. Only a small 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.

## Collective Labour Agreement (CLA) NL

At year-end 2021 25,411 employees (2020: 24,475, including Obvion) were employed under the terms of the (Dutch) Rabobank CLA. The remuneration includes fixed remuneration, the Employee Benefit Budget (which provides flexibility and choice of employment terms), pension, and fringe benefits. For 2021, a collective salary adjustment of 1.5% was agreed with the labor unions.

## Variable pay

Within Rabobank, the basic principle is that variable pay, if applicable, makes up a relatively small proportion (and varies per market) of the total reward. 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, our employees outside the Netherlands and employees of our subsidiaries are eligible for variable pay. Variable pay is never guaranteed, and performance management processes ensure that it does not reward for failure or misconduct.

In 2021, the budgeted variable remuneration for Rabobank Group worldwide was EUR 252.8 million (2020: 150.7), approximately 9% of the total amount reserved for remuneration. Our remuneration policy complies with Dutch and European legislation, which includes 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 2021, Rabobank 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.

## Pay ratio

The average remuneration for Rabobank employees in the Netherlands at year-end was EUR 82,296 which resulted in a pay ratio of 1:14.8 between the average remuneration and the Chair of the Managing Board. This ratio has slightly decreased compared to last year.

### Pay ratio

| In thousands of euros   | 2021  | 2020  |
|---|-------|-------|
| Annual total compensation for the Chair of the Managing Board | 1,218 | 1,218 |
| Average annual compensation for the Rabobank employees in NL  | 82.3  | 81.6  |
| Pay ratio   | 14.8  | 14.9  |

## Managing Board

The Managing Board Remuneration Policy focuses on contribution and leadership to realize the cooperative mission of Rabobank. Changes to the remuneration policy are presented to the General Members' Council for approval. Managing Board members are appointed for a period of four years and 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 2021.

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 peer groups: a cross-industry peer group in the Netherlands and a pan-European banking peer group for similar positions. Based on the benchmark, salary ranges were set for the two clusters. The individual remuneration fits within the applicable salary range. The remuneration structure and salary ranges of the Managing Board are as follows:

### Salary Ranges Managing Board

| Salary Ranges                | Minimum   | Maximum     |
|------------------------------|-----------|-------------|
| Chair 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 106,086 as of January 1, 2021. 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 travel.

### Individual Remuneration

The Managing Board is collectively responsible for the bank's results. With effect from 2021 we wish to reflect this in the individual remuneration levels by rewarding all positions within the Managing Board (excluding CEO) at the same remuneration level of €800,000. This remuneration level is based on the external benchmark of the positions as well as their leadership profile. This change in approach of individual MB remuneration levels, effective from this reporting year, will apply to the individuals from the time of (re)appointment or earlier if appropriate. The salary ranges, which were approved by the General Members' Council in 2017, remain unchanged. A structural review of the remuneration policy and levels takes place every two years, with the next scheduled in 2022.

### Remuneration Managing Board 2021

| <i>In thousands of euros</i>          | Fixed remuneration |          |                              | Variable remuneration |                      | Extraordinary items | Pension expense <sup>1</sup> | Total Remuneration | Fixed portion of the total remuneration <sup>2</sup> |
|---------------------------------------|--------------------|----------|------------------------------|-----------------------|----------------------|---------------------|------------------------------|--------------------|--|
| Managing Board member                 | Base salary        | Fees     | Fringe benefits <sup>3</sup> | One-year variable     | Multi- year variable |                     |                              |                    |  |
| Wiebe Draijer, Chair                  | 980                | -        | -                            | -                     | -                    | -                   | 238                          | 1,218              | 100%   |
| Bas Brouwers, CFO                     | 884                | -        | -                            | -                     | -                    | -                   | 215                          | 1,099              | 100%   |
| Els de Groot, CRO                     | 750                | -        | 20                           | -                     | -                    | -                   | 183                          | 953                | 100%   |
| Kirsten Konst, Business Clients       | 800                | -        | 0                            | -                     | -                    | -                   | 195                          | 995                | 100%   |
| Bart Leurs, CITO <sup>4</sup>         | 750                | -        | -                            | -                     | -                    | 21                  | 183                          | 954                | 98%  |
| Mariëlle Lichtenberg, Private Clients | 750                | -        | 6                            | -                     | -                    | -                   | 183                          | 939                | 100%   |
| Berry Marttin, Wholesale & Rural/LKSD | 884                | -        | 20                           | -                     | -                    | -                   | 215                          | 1,119              | 100%   |
| Janine Vos, CHRO <sup>5</sup>         | 650                | -        | -                            | -                     | -                    | 59                  | 159                          | 868                | 93%  |
|                                       |                    |          |                              |                       |                      |                     |                              |                    |  |
| Former member                         |                    |          |                              |                       |                      |                     |                              |                    |  |
| Ieko Sevinga, CIO/COO <sup>6</sup>    | 500                | -        | -                            | -                     | -                    | 750                 | 122                          | 1,372              | 100%   |
| <b>Total</b>                          | <b>6,948</b>       | <b>-</b> | <b>47</b>                    | <b>-</b>              | <b>-</b>             | <b>830</b>          | <b>1,693</b>                 | <b>9,518</b>       | <b>99%</b>   |

1 The pension expense includes pensions based on maximum pensionable salary cap and compensation for the maximum pensionable salary cap

2 The proportion of fixed and variable remuneration is not relevant since the members of the MB do not receive any variable remuneration

3 Fringe benefits vary and includes fiscal treatment of lease vehicles and discount on mortgage interest

4 Bart Leurs was appointed as CITO on May 1, 2021. The "extraordinary item" relates to a deferred compensation from prior (non-MB) position

5 The "extraordinary item" relates to a deferred compensation from prior (non-MB) position

6 Ieko Sevinga resigned as managing Board member per September 1, 2021 and is entitled to a severance payment as disclosed under "Extraordinary items"

Berry Marttin (July 1, 2021), Janine Vos, Mariëlle Lichtenberg and Kirsten Konst (September 1, 2021) were re-appointed for another term. Bart Leurs was appointed as CITO as of May 1, 2021 and his remuneration level has changed accordingly. Changes in the remuneration level have been agreed upon after careful consultation with the Staffing & Remuneration

Committee of the General Members' Council. The changes in the individual remuneration for Janine Vos and Mariëlle Lichtenberg have been postponed and will be implemented in 2022. Ieko Sevinga resigned as a member of the Managing Board as of September 1, 2021. As of September 2021, the Managing Board consists of 8 members.

### Remuneration Managing Board 2020

| In thousands of euros                 |              | Fixed remuneration |                              | Variable remuneration |                     | Extraordinary items | Pension expense <sup>1</sup> | Total Remuneration | Fixed portion of the total remuneration <sup>2</sup> |
|---------------------------------------|--------------|--------------------|------------------------------|-----------------------|---------------------|---------------------|------------------------------|--------------------|--|
| Managing Board member                 | Base salary  | Fees               | Fringe benefits <sup>3</sup> | One-year variable     | Multi-year variable |                     |                              |                    |  |
| Wiebe Draijer, Chair                  | 980          | -                  | -                            | -                     | -                   | -                   | 238                          | 1,218              | 100%   |
| Bas Brouwers, CFO                     | 884          | -                  | 18                           | -                     | -                   | -                   | 215                          | 1,118              | 100%   |
| Els de Groot, CRO                     | 750          | -                  | 20                           | -                     | -                   | -                   | 183                          | 953                | 100%   |
| Kirsten Konst, Business Clients       | 800          | -                  | 2                            | -                     | -                   | -                   | 195                          | 997                | 100%   |
| Bart Leurs, DTO <sup>4</sup>          | 650          | -                  | -                            | -                     | -                   | 21                  | 159                          | 830                | 97%  |
| Mariëlle Lichtenberg, Private Clients | 750          | -                  | 7                            | -                     | -                   | -                   | 183                          | 940                | 100%   |
| Berry Marttin, Wholesale & Rural/LKSD | 884          | -                  | 20                           | -                     | -                   | -                   | 215                          | 1,119              | 100%   |
| Ieko Sevinga, CIO/COO                 | 750          | -                  | -                            | -                     | -                   | -                   | 183                          | 933                | 100%   |
| Janine Vos, CHRO <sup>5</sup>         | 650          | -                  | -                            | -                     | -                   | 56                  | 159                          | 865                | 94%  |
| Former member                         |              |                    |                              |                       |                     |                     |                              |                    |  |
| Jan van Nieuwenhuizen <sup>6</sup>    | 589          | -                  | 14                           | -                     | -                   | -                   | 37                           | 640                | 100%   |
| <b>Total</b>                          | <b>7,687</b> | <b>-</b>           | <b>82</b>                    | <b>-</b>              | <b>-</b>            | <b>77</b>           | <b>1,767</b>                 | <b>9,613</b>       | <b>99%</b>   |

1 The pension expense includes pensions based on maximum pensionable salary cap and compensation for the maximum pensionable salary cap

2 The proportion of fixed and variable remuneration is not relevant since the members of the MB do not receive any variable remuneration

3 Fringe benefits vary and includes fiscal treatment of lease vehicles and discount on mortgage interest

4 The "extraordinary item" relates to a deferred compensation from prior (non-MB) position

5 The "extraordinary item" relates to a deferred compensation from prior (non-MB) position

6 Jan van Nieuwenhuizen resigned as Managing Board member per September 1, 2020

### Individual Loans

The outstanding loans of the members of the Managing Board in office and the average interest rates on December 31, 2021 were as follows:

#### Outstanding Loans Managing Board

| In millions of euros        |                   |                              |
|-----------------------------|-------------------|------------------------------|
|                             | Outstanding Loans | Average Interest Rate (in %) |
| <b>On December 31, 2021</b> |                   |                              |
| Bas Brouwers                | 0.68              | 1.50                         |
| Bart Leurs                  | 0.78              | 1.41                         |
| Mariëlle Lichtenberg        | 0.79              | 2.61                         |
| Janine Vos                  | 1.14              | 1.58                         |

Members of the Managing Board not listed in the table were not in receipt of any loans, advances or guarantees at year-end 2021.

### Rabobank 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 |
|-----------------------------|---------------------------------|---------|
| <b>On December 31, 2021</b> |                                 |         |
| Kirsten Konst               | 840                             |         |
| Mariëlle Lichtenberg        | 1,018                           |         |
| Berry Marttin               | 16,084                          |         |

## Supervisory Board

The remuneration of the members of the Supervisory Board is based on both a cross- industry benchmark and a pan-European banking benchmark for similar positions. The current remuneration levels which were determined in 2016, were reviewed and determined unchanged in 2021 by the General Members' Council. A structural review of the remuneration levels takes place every two years, with the next scheduled in 2022. The remuneration in 2021 was as follows.

### Fee Structure Supervisory Board

As of October 1, 2016

| In euros                                    | Fee     |
|---|---------|
| Chair                                       | 220,000 |
| Vice-Chair                                  | 120,000 |
| Member                                      | 90,000  |
| Chair of a regular SB committee, additional | 20,000  |

## Individual Remuneration

### Remuneration Supervisory Board 2021

| In thousands of euros                     |                          | Fixed remuneration |                    |   |
|---|--------------------------|--------------------|--------------------|---|
| Supervisory Board member                  | Base salary <sup>1</sup> | Fees <sup>2</sup>  | Total Remuneration | Fixed portion of the total remuneration |
| Marjan Trompetter (Chair) <sup>3</sup>    | 148                      | 14                 | 162                | 100%                                    |
| Jan Nooitgedagt (Vice-Chair) <sup>4</sup> | 98                       | 15                 | 113                | 100%                                    |
| Gert-Jan van den Akker <sup>5</sup>       | 64                       | -                  | 64                 | 100%                                    |
| Annet Aris                                | 90                       | -                  | 90                 | 100%                                    |
| Johan van Hall <sup>6</sup>               | 6                        | -                  | 6                  | 100%                                    |
| Petri Hofsté                              | 90                       | 20                 | 110                | 100%                                    |
| Arian Kamp                                | 90                       | 20                 | 110                | 100%                                    |
| Mark Pensaert <sup>7</sup>                | 90                       | 6                  | 96                 | 100%                                    |
| Pascal Visée <sup>8</sup>                 | 90                       | 6                  | 96                 | 100%                                    |
| Former member                             |                          |                    |                    |   |
| Ron Teerlink <sup>9</sup>                 | 160                      | -                  | 160                | 100%                                    |
| <b>Total</b>                              | <b>926</b>               | <b>80</b>          | <b>1,006</b>       | <b>100%</b>                             |

1 Remuneration as a SB member of Rabobank

2 Remuneration as a chair of a SB committee

3 The remuneration is based on being Vice-chair, Chair of the Remuneration & HR Committee and Chair of the Appointments Committee until September 21, 2021. As of September 22, 2021 Marjan Trompetter was appointed as Chair of the Supervisory Board

4 The fees relate to the amounts received as Chair of the Risk Committee until September 21, 2021 and as Vice-chair per September 22, 2021. The remuneration figures reflect a partial year

5 Gert-Jan van den Akker was appointed a member of the SB on April 14, 2021. The remuneration figures reflect a partial year

6 Johan van Hall was appointed a member of the SB on December 8, 2021. The remuneration figures reflect a partial year

7 The fees relate to the amounts received as Chair of the Risk Committee per September 22, 2021. The remuneration figures reflect a partial year

8 The fees relate to the amounts received as Chair of the Remuneration & HR Committee per September 22, 2021. The remuneration figures reflect a partial year

9 Ron Teerlink resigned as Chair of the SB on September 22, 2021. The remuneration figures reflect a partial year



### Remuneration Supervisory Board 2020

| In thousands of euros          |                          | Fixed remuneration |                    |   |
|--------------------------------|--------------------------|--------------------|--------------------|---|
| Supervisory Board member       | Base salary <sup>1</sup> | Fees <sup>2</sup>  | Total Remuneration | Fixed portion of the total remuneration |
| Ron Teerlink (Chair)           | 220                      | -                  | 220                | 100%                                    |
| Marjan Trompetter (Vice-Chair) | 120                      | 20                 | 140                | 100%                                    |
| Annet Aris                     | 90                       | -                  | 90                 | 100%                                    |
| Petri Hofsté                   | 90                       | 20                 | 110                | 100%                                    |
| Arian Kamp                     | 90                       | 20                 | 110                | 100%                                    |
| Jan Nooitgedagt                | 90                       | 20                 | 110                | 100%                                    |
| Mark Pensaert <sup>3</sup>     | 66                       | -                  | 66                 | 100%                                    |
| Pascal Visée                   | 90                       | -                  | 90                 | 100%                                    |
| Former member                  |                          |                    |                    |   |
| Leo Degle <sup>4</sup>         | 63                       | -                  | 63                 | 100%                                    |
| <b>Total</b>                   | <b>919</b>               | <b>80</b>          | <b>999</b>         | <b>100%</b>                             |

1 Remuneration as a SB member of Rabobank

2 Remuneration as a chair of a SB committee

3 Mark Pensaert was appointed as member of the SB on April 8, 2020. The remuneration figures reflect a partial year

4 Leo Degle resigned as member of the SB as of September 19, 2020. The remuneration figures reflect a partial year

### Individual Loans

The outstanding loans of the members of the Supervisory Board in office on December 31, 2021 and the average interest rates were as follows:

| Outstanding Loans Supervisory Board |                   |                              |
|-------------------------------------|-------------------|------------------------------|
| In millions of euros                | Outstanding Loans | Average Interest Rate (in %) |
| <b>On December 31, 2021</b>         |                   |                              |
| Arian Kamp                          | 1.23              | 1.39                         |
| Marjan Trompetter                   | 0.61              | 2.42                         |

Members of the Supervisory Board not listed in the table had not received any loans, advances or guarantees at year-end 2021.

# Report of Rabobank's Supervisory Board

## 2021 Was an Exceptional and Intensive Year

With the continuing impact on society and on the bank of the Covid-19 pandemic, the Supervisory Board and its committees closely followed and discussed the developments and impact of the crisis, including the consequences for customers, risk management, and the organization and staffing. Other societal and economic developments including climate, inclusivity, inflation, labor market shortages and geopolitical issues required a response from the bank and supervision and advice from the Supervisory Board. These issues were examined in thematic sessions and committee discussions.

The Supervisory Board devoted constant and intensive attention to Rabobank's compliance with the requirements of the Anti-Money Laundering and Anti-Terrorist Financing Act (Wwft). The role as gatekeeper of the financial system is and will remain a top priority for the bank and for the Supervisory Board. An integrated and comprehensive recovery program known as 'Verstevigen & Bestendigen' has been underway since late 2020 to remedy compliance with the Wwft requirements in the Retail NL domain. The Supervisory Board's Ad Hoc KYC Committee (which was set up in the fall of 2020) has kept the structure, progress, implementation and monitoring of this recovery plan under close and constant scrutiny and has discussed it with the relevant Managing Board members and other senior managers from the three lines of responsibility who are accountable for the different elements of the program. The aspects of the KYC issue are also on the agenda of other Supervisory Board committees. For instance, the Remuneration and HR Committee discuss potential improvements in the culture of the bank and the recruitment, training and retention of several additional KYC staff. The KYC compliance discussions in the Risk - and Audit Committees are based on reports from the Compliance department and from Internal Audit. The Supervisory Board discusses the insights provided by the various committees in regular meetings with the Managing Board on this topic.

Following receipt of the proposed instruction from the Dutch Central Bank in late 2021 the Supervisory Board took an additional step and set up an ad hoc Core Team. The focus of this ad hoc Supervisory Board Core Team is on supervising progress in remedying the various urgent requirements imposed on bank in respect of the draft instruction.

In 2021 a number of strategic, transformation and regulatory change programs were identified as part of the Managing Board's so-called critical execution priorities. The Supervisory

Board reviewed and challenged these and determined that the priorities of the Managing Board would form the focus points in the agenda of the board and/or its committees in 2021. At the end of the year, the Managing Board evaluated and thereafter the Supervisory Board challenged the approach in order to evolve the approach for the coming year.

2021 saw the continuance of a project set up in rapport to the General Members' Council (GMC) governance evaluation in 2020. Based on recommendations issued by the Governance Evaluation Committee, made up of members of the GMC, the Managing Board and Supervisory Board, the GMC voted to introduce the measures and corporate governance changes. The Supervisory Board and its Committee on Cooperative Affairs were involved in advising on the changes in the Articles of Association and by-laws following the decisions regarding the cooperative governance.

Responsibility for the implementation of 'Bankieren 3.5' now lies with the 'Coöperatief Veranderen' program, which is also responsible for other projects including 'excellent customer service'. This transformation came about thanks to the intense efforts, flexibility, courage and determination of all concerned. In the course of 2021, there were a number of operational service provision issues relating to availability, customer onboarding and outsourcing of cash machines to Geldmaat. The Supervisory Board devoted a great deal of attention to these questions, among others in the Committee on Cooperative Affairs. The analysis of the causes and the implementation of appropriate measures were discussed with the Managing Board and the issues were addressed at meetings with local supervisory bodies and the GMC.

As a cooperative bank whose activities and operations are guided by cooperative principles, Rabobank is acting responsibly following various rulings by Kifid (the Financial Services Complaints Tribunal in the Netherlands). In different cases the Kifid ruled that lenders of certain consumer products should have followed the market rate while determining the variable interest rate of these products. Based on these Kifid rulings, Rabobank recognized that it did not consistently adjust the interest rate of certain consumer credit products in accordance with the reference rate selected by Kifid. Therefore, Rabobank made a provision to compensate part of its clients with certain consumer credit products with a variable interest rate. The Supervisory Board frequently challenged on the background, structure and possible consequences on this issue before confirming its support for all measures.

The Supervisory Board welcomes the important step forward on sustainability reporting in the Impact Report and the improvement of integrated reporting in this Annual Report, which better reflects the performance on the bank's strategic pillars and mission in this integrated annual report.

### General Themes

Besides the exceptional themes already mentioned, other issues that called for the Supervisory Board's attention in 2021 included: the budget, risk control and management, (including risks relating to climate change and cyber security), sustainability, data management, interim performance reporting, the We Improve Now (WIN) program that focuses on cost savings and growth generation, trends in the Food & Agri sector, developments in Wholesale & Rural (including the phase-out of the bank's IDB activities in Germany and Belgium), the OneEurope organizational development, cooperative renewal and staffing issues.

The many facets of the tight labor market and the 'war for talent' have become a recurring theme on the Supervisory Board agenda. The culture program, remuneration policy and the research into 'change capacity & leadership' were some of the other HR-related topics which the board considered in 2021.

The Supervisory Board evaluated the sound financial and business performance in 2021 in particular in light of the pandemic and continuing government and central bank measures and restrictions. The board also took account of the continuing low interest environment that is pressuring interest margins and the increased volatility in loan impairments following from uncertainties related to the pandemic and the accounting requirements on loan impairments.

The Supervisory Board appreciates the work and dedication of the Managing Board and all staff of the bank and the cooperation with the clients that led to achieving this performance in challenging circumstances. Rabobank's mission and strategy are bearing fruit.

### Way of Working

Similar to 2020, the first year of the Covid-19 pandemic, the Supervisory Board was able to follow its planned schedule in 2021. Once again, most of the meetings were held virtually due to the corona-related restrictions. From November 2021, the board also returned to meeting face-to-face on a regular basis. The agenda items for the Supervisory Board are prepared by the members of the Managing Board and by the various committees.

Alongside the scheduled meetings, a number of educational sessions were held relating to sustainability regulation, innovations, digitization, customer due diligence and anti-money laundering, and cooperative renewal. The committee meetings also looked in more detail at upcoming priorities of the bank (deep dives). For instance, the Audit Committee performed a deep dive into the Interbank Offered Rates (IBOR) transition and the Committee on Cooperative Affairs looked in detail at the energy transition.

For the purposes of improving the board's own working methods the agenda structure of the scheduled Supervisory Board meetings were subjected to a critical reflection in 2021. The aim is to introduce a more structured approach to issues, with specific attention to strategic priorities including the allocation of time slots in the meeting schedule that match this priority. In 2022 the results of this reflection will be fleshed out and put into practice. In late 2021 an external evaluation of how the Supervisory Board works was performed and the board received its feedback in early 2022. The provisional findings relate to the Supervisory Board's vision on and involvement with topics such as developing the desired culture at the bank, the relationship to and communication with the GMC and the external supervisors, improving the focus on results in the bank and the degree of involvement with operational issues. These items will be put on the agenda for discussion later in spring 2022.

### Relationship with some Key Stakeholders

As for the relationship with the GMC, one of the recommendations of the governance evaluation was to strengthen the connection between the Supervisory Board and the GMC. Members of the Supervisory Board are always present at the regional assembly meetings, which are held in preparation for a GMC meeting, all members of the Supervisory Board attend the GMC meeting, the chair of the Supervisory Board also chairs the GMC (and the GMC Urgency Affairs Committee) and selected Supervisory Board members also take part in meetings of the permanent and ad hoc committees of the GMC. To ensure greater levels of information exchange and further improve the effectiveness of the respective responsibilities, it was decided in 2021 that the Supervisory Board, and in particular the members of the Committee on Cooperative Affairs, would give regular updates to the GMC on topics relevant to supervision and thereby give the GMC the opportunity to pose questions to the Supervisory Board about its views, activities and vision.

The Supervisory Board keeps up to date with topics and debates that are discussed in, among others, periodic meetings of the works councils, in which members of the works

councils, members of the Managing Board, the Chief HR Officer, and representatives from the Supervisory Board are present.

In 2021 the Supervisory Board participated in both virtual and face-to-face off-site meetings with the Managing Board. The themes included developments in Food & Agri and preparations for recalibrating the bank's strategy.

### The Future

The recalibration of the strategy of the bank will be an important theme for the Supervisory Board in the coming year, alongside the top priority given to the KYC remediation program. The strategy recalibration is not expected to entail a rigorous change of course for the bank, but it is likely to result in an update of the strategy and the business model. The strategy that focuses on the key societal transformations to which Rabobank wants to contribute now and in the future is bearing fruit. The establishment of the Rabo Carbon Bank in 2021 is a good first step and a fine example of a new business unit with the potential to create long-term value for the bank and for society. Similarly, the Supervisory Board welcomes the moves to develop an Agri fund and a Housing fund. The board regards these as good initiatives that support Rabobank's mission and the development of new business models. The Supervisory Board has a firm focus on the future and views Rabobank's position in society as a significant and valuable foundation on which to build.

### Appointments and Departures in 2021

After serving two terms Ron Teerlink stepped down as member and chair of the Supervisory Board in September 2021. The Supervisory Board thanks Ron Teerlink for his dedication, expertise, constructive critical approach and team spirit. The

Supervisory Board appointed one of its members, Marjan Trompetter, to succeed Ron Teerlink as chair. This change also brings adjustments to the composition and chairs of some committees. More details are given below.

Two new members joined the Supervisory Board in 2021: Gert-Jan van den Akker (April 2021) and Johan van Hall (December 2021). These appointments bring the team to full strength. The experience, knowledge and insights that these new supervisors bring are a valuable addition to the Supervisory Board profile.

In 2021, Ieko Sevinga announced that for personal reasons he would not be available for a second term as a member of the Managing Board, a decision which the Supervisory Board respects. His departure is a loss to the Managing Board. The portfolio of Ieko Sevinga has been reallocated as planned among other members of the Managing Board, which currently consists of eight members.

In 2021 the following members of the Managing Board were reappointed and/or appointed to different roles: Kirsten Konst, Bart Leurs, Marielle Lichtenberg, Berry Marttin and Janine Vos. Following these (re) appointments all members of the Managing Board now have the status of statutory director.

Wiebe Draijer has announced that he will not be standing for a third term as chair of the Managing Board. His current term of office runs to October 2022. In fall 2021 the Supervisory Board initiated the process to select a successor. Furthermore, it has been announced that a new position within the Managing Board will be created with a specific focus on KYC Compliance. The selection process for this role has also started.

## Overview Supervisory Board and Committees in 2021

### Composition and Attendance Figures of the Supervisory Board and Its Permanent Committees as of December 31, 2021

| Meeting                             | SB           | Risk        | Audit        | CCA          | Rem & HR     | Appointments |
|-------------------------------------|--------------|-------------|--------------|--------------|--------------|--------------|
| Number of meetings                  | # 14         | # 8         | # 8          | # 5          | # 10         | # 14         |
| Ron Teerlink <sup>1</sup>           | 71% (Chair)  |             | 75%          | 60%          | 70%          | 57%          |
| Marjan Trompetter <sup>2</sup>      | 100% (Chair) | 63%         | 38%          | 100%         | 100% (Chair) | 100% (Chair) |
| Petri Hofsté                        | 100%         | 100%        | 100% (Chair) | 100%         | -            | -            |
| Jan Nooitgedagt <sup>3</sup>        | 93%          | 88% (Chair) | 63%          | 20%          | 80%          | 86%          |
| Pascal Visée <sup>4</sup>           | 93%          |             | 100%         | -            | 90% (Chair)  | 100%         |
| Arian Kamp                          | 78%          | 88%         | -            | 100% (Chair) | -            | -            |
| Annet Aris                          | 100%         |             | 100%         | -            | 100%         | 100%         |
| Mark Pensaert <sup>5</sup>          | 100%         | 88% (Chair) | 50%          | 100%         | -            | -            |
| Gert-Jan van den Akker <sup>6</sup> | 71%          | 88%         |              |              | 70%          | 79%          |
| Johan van Hall <sup>7</sup>         | 14%          |             |              |              |              |              |

1 Ron Teerlink resigned per end of September 2021

2 Marjan Trompetter was appointed chair of the Supervisory Board per end of September 2021. Per that date she resigned as chair of the Remuneration & HR Committee. Marjan Trompetter

3 Jan Nooitgedagt became vice-chair of the Supervisory Board per end of September 2021. Per that date he resigned as chair of the Risk Committee and member of the Audit Committee

4 Pascal Visée became chair of the Remuneration & HR Committee per end of September 2021

5 Mark Pensaert became chair of the Risk Committee and member of the Audit Committee per end of September 2021

6 Gert-Jan van den Akker was appointed as member of the Supervisory Board in April 2021

7 Johan van Hall was appointed as member of the Supervisory Board in December 2021

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](http://www.rabobank.com). These Rules were updated and amended in 2021.

### 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 so doing, the Supervisory Board also focuses on the effectiveness of Rabobank's internal risk management and control systems and the integrity and quality of the financial reporting. The Supervisory Board also monitors compliance with laws and regulations and inter alia achievement of Rabobank's goals and strategy. The Supervisory Board has the authority to approve material decisions made by the Managing Board. The Supervisory Board also has an advisory role with respect to the Managing Board and is 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 2021, the Supervisory Board convened fourteen times in total. These meetings were attended by the Managing Board. In addition to these meetings, the Supervisory Board held several private meetings and meetings to which only the chair of the Managing Board joined ('comité generaal').

### 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 Rabobank's risk framework, risk analysis scenarios and promoting risk awareness and a strong risk culture.

#### Meetings

In 2021, the Risk Committee convened eight times including two thematic meetings and one extra meeting focusing on the Rabo Model Landscape and the Return to Compliance Plan for IRB models. In addition, three combined meetings of the Risk Committee and the Audit Committee (RC-AC bridge session)



were held for topics within the scope of both committees. Two bridge sessions focused on discussing the half-yearly reports of the Compliance and Legal functions and in the third bridge session the IRRBB Position Management Strategy and the self-assessment of Rabobank's Compliance Function were addressed. A combined meeting of the Risk Committee and the plenary Supervisory Board was organized for an in-depth discussion on, and subsequent approval of, the yearly ICAAP/ILAAP/Stress Test package submissions to the ECB. For various discussions, subject matter experts from the Risk, Compliance and/or Legal function were present. Educational sessions were held in conjunction with the Supervisory Board's Audit Committee.

### Topics

Throughout 2021, the Risk Committee was continuously informed on and discussed the impact of the Covid-19 crisis on the bank's risk exposures, its clients in vulnerable sectors and the mitigating measures that the bank took. The Covid-19 updates in the Risk Committee typically covered a review of credit exposures in business lines and sectors, liquidity and capital, operational risks and crisis management, regulatory developments and the macro economic outlook.

Every quarter, the Risk Committee reviews and challenges the quarterly Integrated Risk reports on all categories of financial and non-financial risk, including reviews of Market Risk, Interest Rate Risk, Business Risk, Operational Risk. Bi-annually, the semi-annual Legal and Compliance reports are discussed. Furthermore, the Risk Committee advised the Supervisory Board on the approval of among others ICAAP/ILAAP, the Group Risk Appetite Statement, the Group Recovery Plan and the Group Remuneration Policy. Like every year, an extensive discussion was held on the self-assessment of the Risk Management Function (RMF) and the audit review of the RMF.

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) several critical execution priorities, such as CreditCore, OneALM+, Rabo Model Landscape, (ii) privacy regulation, including the status and dilemmas surrounding the implementation of the so-called Schrems-II interpretation of the GDPR regulation, (iii) the maturity of Rabobank control framework (RCF), (iv) the regulatory change and adherence process within the bank, (v) a yearly brainstorm session on strategic risks, (vi) the yearly review of the product approval and review process and (vii) the status and progress made in relation to BCBS239 compliance. On a quarterly basis, the Risk Committee was informed on

the status and progress made with respect to KYC within the Wholesale & Rural domain and DLL (global scope).

In 2021, the Risk Committee held two theme-based meetings for in-depth discussions on specific topics with representatives from the first and second lines of responsibility. One was held on DLL's risk profile and risk management and on sustainability regulations and Rabobank's roadmap to advance the management of climate-related and environmental risks. The other on a lessons learned and a program status update with respect to compliance with regulatory requirements on Transaction Reporting as well as a review of the bank's IT risk profile. Furthermore, the committee engaged in a dialogue on the Rabo One Culture program focused on the embedding of risk and integrity in the corporate culture of the bank.

The Risk Committee received regular updates from Supervisory Relations function on communication with the external supervisory and the outcomes and follow up regarding on-site inspections and other investigations.

### 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 systems framework, the external auditor, Rabobank Group's internal audit function, and the functioning of the Rabobank Group's compliance and risk 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 2021, the Audit Committee convened eight times, held one so-called "working session" in preparation of the discussion on the 2022 budget and three combined meetings of the Risk Committee and the Audit Committee. Two educational sessions were held at the request of the Audit Committee for the Supervisory Board (see overview below on permanent educational efforts). The internal auditor, the external auditor and the Chief Compliance Officer are present at all Audit Committee meetings and the Audit Committee once a year has a private session with each of the auditors.

#### Topics

Recurring topics of discussion and challenge on the agenda of the Audit Committee are the Financial Performance Reports and WIN 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-term plan, the Audit Committee discussed the segment plans in a working session with the responsible CFOs of the business segments. Thereafter the Committee reviewed the budget with the Managing Board, considering among others the strategy of Rabobank, sustainability ambitions, regulatory adherence programs and the impact of the low interest rate environment and other critical assumptions applied.

In 2021 the Audit Committee has paid special attention to several reports on major transitions and programs. This included the bank's program dealing with the transition of benchmark rates and the Basel IV program. In addition to the discussion on the financial performance of the bank's segments, the committee discussed the performance of DLL and BPD and considered IT security, IT costs and the development in the IT portfolio.

The Audit Committee has reviewed the half year report and the annual report 2021 including the financial statements, the press release and the Impact Report. As part of the review of these reports and on the basis of audit reports of the internal and external auditor, the Audit Committee challenged the application of critical accounting policies and reporting topics that require considerable judgment and estimation, including loan impairments and top level adjustments on model outcomes of impairment allowances, the reporting on the TLTRO, the evaluation of legal claims and provisions, the provisions for KYC backlog, the provision for certain variable interest rates and tax positions. Also, the Audit Committee reviewed the disclosure on non-financial key figures and the integrated reporting approach, including sustainability reporting. The Audit Committee has welcomed that the bank has progressed its non-financial and sustainability reporting in the annual report and also in the Impact Report.

The Audit Committee considered the management's report on the internal controls on financial reporting and paid specific attention to controls in respect of IT security, loan classification and loan impairments.

Annually, the Audit Committee discusses and approves the Internal Auditor's audit plan and reviews the Internal Audit charter. 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. The Audit Committee has evaluated the quality of the internal audit function on the basis of a self-assessment performed and appreciates the performance, the continuous developments and quality of the function.

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 in cooperation with the Risk Committee. The committees welcomed the steps taken in 2021 to become a mature function and to address areas of attention identified in the previous evaluation and new developments in the role and requirements of the function.

The Audit Committee has approved the audit plan of the external auditor (PricewaterhouseCoopers Accountants NV (PwC)), and has discussed the audit reports of the external auditor on the half year report, the annual report, the COREP and FINREP reporting and the non-financial information. The Audit Committee has monitored the independence of the external auditor. The committee appreciates the insightful reporting and discussion with the auditors and the response to the annual evaluation of the audit team and engagement.

#### [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 prepares for the requisite decisions of the Supervisory Board. These consist of: (i) the assessment of the Managing Board's reports on Rabobank's 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, including sustainability ambitions, visions, and strategies pertaining to the sustainability targets formulated by the bank and its business units, either at the request of the Managing Board or on its own initiative.

##### **Meetings**

During 2021, the CCA convened five times.

##### **Topics**

In 2021, the Committee adopted a more integrated approach. In a joint session with the Risk Committee, the energy transition and digitization of client services were discussed from a one Rabobank perspective. Cooperative renewal was discussed

in depth three times based on quarterly progress reports and included the completion of the governance evaluation in relation to the change to the articles of association. Approximately 50% of the agenda was related to client services via business updates, 25% to international activities, e.g. the role of Rabobank regarding the UN Food System Summit and Partnerships and 25% was related to cooperative governance.

## 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&HR Committee considers the consequences of these topics for Rabobank's risks and risk management, taking into account the long-term interests of the bank's stakeholders and acceptance by societal 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 advises the Supervisory Board on decisions related to the Rabobank Group Remuneration Policy and assesses the remuneration practice within Rabobank Group 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 the Rabobank Group. 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. Rabobank pursues 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 2021, the R&HR Committee convened ten times.

### **Topics**

In 2021, the R&HR Committee addressed recurring topics, such as the remuneration of individual Managing Board

members, (risk) culture and the KYC-file (Know Your Customer), the program 'Coöperatief Veranderen', HR consequences of Covid-19 like the policy for hybrid working (Rabobank@Anywhere), Remuneration Policy for executives, Performance & Health, Strategic Resource Planning, the People Strategy, Organizational Transformation, reports on misconduct, fraud and integrity and Employee Engagement.

The remuneration policy for the Managing Board and for the Supervisory Board were evaluated and discussed with the Staffing and Remuneration Committee of the GMC. The policy for the Managing Board was settled unchanged by the Supervisory Board; the policy for the Supervisory Board was settled unchanged by the GMC. The committee also spent in-depth time on specific HR themes, such as the gender pay gap, craftsmanship and education, agile way of working, Global Reward Policy and diversity and inclusion.

The Committee advised the Supervisory Board about approval of a limited number of severance payments, buy outs and sign on bonuses for new hires, and retention arrangements related to the wind down of business units, following the governance as ruled out in the Rabobank Group Remuneration Policy.

The R&HR Committee prepared the evaluation of the members of the Managing Board, following the yearly GROW!-cycle. The committee also ensured the appropriate documentation of the feedback to the Managing Board members from the Grow discussions.

The R&HR Committee discussed the performance targets for the Managing Board and the group targets for Identified Staff (please see the section on [Remuneration](#) 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 Group, and for the individual variable remuneration of employees classified as Identified Staff. Finally, the R&HR Committee reviewed the remuneration section of the annual report with the GMC's Staffing and Remuneration Committee.

## Appointments Committee

### **General Responsibilities and Duties**

The Appointments Committee advises the Supervisory Board for its decision-making in relation to the composition of the Supervisory Board, the Managing Board, and higher senior management positions, and the related appointments and re-appointments.

## Meetings

In 2021, the Appointments Committee convened fourteen times.

## Topics

Among other tasks the Appointments Committee has revised the succession plans of the Managing Board and the Supervisory Board and discussed these with the Staffing and Remuneration Committee of the GMC. The 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 2021, the Appointments Committee prepared and advised about the appointments of Gert-Jan van den Akker and Johan van Hall as new Supervisory Board Members. These members were appointed by the GMC, after advice from the GMC Staffing and Remuneration Committee. Additionally, the Committee advised about the role changes within the Supervisory Board due to the departure of Ron Teerlink at the end of his second term in September 2021. Based on a thorough and comprehensive process in which many people were consulted, including the GMC Staffing and Remuneration Committee, the Works Council and external advisors, the Supervisory Board assigned the chair position to Marjan Trompetter and the vice chair position to Jan Nooitgedagt. Also following these changes, Pascal Visée was appointed as the chair of the R&HR Committee and Mark Pensaert as the chair of the Risk Committee. The profile of the Supervisory Board has been updated in 2021 and settled by the Supervisory Board, after approval of the GMC.

As to the Managing Board, the Appointments Committee prepared and advised about the re-appointments of Bart Leurs, Berry Marttin, Kirsten Konst, Janine Vos and Mariëlle Lichtenberg, and about the changes in the composition of the Managing Board, after the resignation of Ieko Sevinga from the Managing Board. All members of the Managing Board are appointed as statutory members, as a result of the decision made in 2020 to abolish the distinction between statutory and non-statutory members of the Managing Board. Wiebe Draijer announced not being available for a third term after his term ends on 1 October 2022 and the Appointments Committee started the process for the selection of a successor for the role of Chair of the Managing Board. In order to strengthen the steering on KYC compliancy, it was decided, in line with the instruction of the supervisory authorities, to add the position of Chief KYC Officer to the Managing Board. The Appointments Committee started the selection procedure for this new role. The Committee advised on the appointment of the new Chief Compliance Officer and the new CEO DLL.

The Committee evaluated the suitability of the members of the Managing Board and the Supervisory Board, the outside interest positions and adherence to the gift and hospitality policy and reported on it according to the regulations. 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. The Appointments Committee took notice of the revised EBA/ESMA Guidelines on the assessment of the suitability of members of the management body and key function holders.

Also, the Appointments Committee discussed the succession planning of the top management positions and reviewed the talent pipe line with potential internal and external candidates. Members of the Appointments Committee had several individual meetings with executives. Also, meetings were organized with a group of new executives and groups of promising talents.

## Ad hoc KYC Committee

### General Responsibilities and Duties

The Supervisory Board's Ad Hoc KYC Committee was established in the 4<sup>th</sup> quarter of 2020 following 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 in respect of the program for KYC compliance in the Retail NL domain, to advise on, to deepen and to prepare discussions and decision-making within the plenary Supervisory Board and other committees on this critical topic. The Ad Hoc KYC Committee regularly reports on its findings to the Supervisory Board.

Rabobank remains fully committed to fulfilling its gatekeeper role in society and to comply with the Wwft. Partly on the basis of informal and formal feedback from DNB, including the DNB findings report, root cause analysis and internal analyses performed by an external consultant and reflection sessions held within the bank, Rabobank's 'Verstevigen & Bestendigen' Plan was launched to strengthen the foundation for adequate compliance with the Wwft. To realize this commitment, Rabobank has structured the program in six intervention areas to achieve structural assurance of the Wwft obligations and hence to adequately fulfill the gatekeeper function. The review and challenge of the program, its progress and impact is the prime role of the KYC committee.

## Meetings

In 2021, 14 meetings of the KYC Committee were convened. In these meetings, the focus is on monitoring and discussing the

status and progress made in the Retail NL KYC remediation plan ('Verstevigen & Bestendigen'). In addition to these meetings, several working visits and sessions with subject matter experts have been organized in order to support the KYC Committee's understanding of dilemmas and issues related to KYC in Rabobank's daily working environment.

#### Overview Permanent Education Sessions Supervisory Board

- On January 12, 2021, the Supervisory Board members were updated on Digital Ecosystems;
- On March 10, 2021, an education session was organized regarding the Digital Landscape;
- On June 2, 2021, a deep dive on credit models was organized;
- On June 3, 2021, the Supervisory Board attended the Managing Board's session on renewal of the cooperation and dialogue;
- On June 29, 2021, the Supervisory Board received an update on relevant developments in regulations and tax;
- On September 30, 2021, a session on asset liability management including NMD (Non-Maturing Deposits) was organized;
- On November 2, 2021, the Supervisory Board attended an educational session on sustainability regulations and commitments and data quality.

of the Managing Board and the Rabobank employees in the year 2021. The circumstances, among others due to Covid-19, remained burdensome and the members of the board and all employees faced the continuing waves with resilience and dedication. Furthermore, the Supervisory Board is grateful for the cooperation and support of the members of the bank and its clients. Special gratitude is extended to the members of the General Members' Council for their support, effort and understanding during the year 2021.

#### Transactions conflict of interest

In 2021 there were no transactions involving a conflict of interest between Rabobank and members of the Supervisory - or Managing Board.

#### 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 2021 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 auditor (PwC) and took note of the unqualified external auditor's report that PwC issued on the annual accounts in 2021. The Supervisory Board advises the GMC to adopt the 2021 annual accounts.

#### A Word of Appreciation

The Supervisory Board extends high appreciation on the performance, contribution and commitment of the members



# Members of the Managing and Supervisory Board

## Members of the Managing Board<sup>1</sup>

- 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 Innovation & Technology Officer (CITO)*
- Mariëlle Lichtenberg, *Retail Clients in the Netherlands*
- Berry Marttin, *Wholesale and Rural, Leasing, Knowledge and Sustainable Developments*
- 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, after which he will not be available for a third term. As CEO and Chair of the Managing Board he bears full responsibility for all this entails. As of September 1, 2021 he is responsible for Audit, Communications & Corporate Affairs, Corporate Secretariat & Cooperative, Corporate Strategy Office, Global Lead KYC, Sustainability & Climate.

### 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 of September 1, 2021 Bas Brouwers is responsible for Finance and Control, Treasury, Group Tax, Investor Relations, Portfolio Management.



### 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, Risk Analytics, Financial Restructuring & Recovery, Legal and Compliance. In addition, she is a member of the Rabobank North America Board and Utrecht America Holdings, chair of the Rabobank North America Board Risk Committee, and member of the Rabobank North America Board Audit Committee.

### Mariëlle Lichtenberg (M.P.J.)

*(Female, 1967, Dutch nationality)*

Appointed to the Managing Board with effect from September 1, 2017.

Her previous appointment term expired on September 1, 2021 and was extended for 4 years. Her main areas of focus are Retail and Private Banking, Marketing and Rabo Client Services (call center). Besides her activities for Rabobank, she is responsible for the Rabobank Foundation. Additionally, she is chair of the Supervisory Board of Bouwfonds Property Development and chair of the Supervisory Board of Obvion N.V.



<sup>1</sup> All members of the Managing Board are statutory directors of Rabobank

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

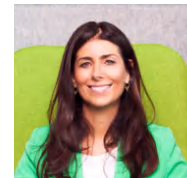
Appointed to the Managing Board with effect from September 1, 2017. Her previous appointment term expired on September 1, 2021 and was extended for 4 years. Her main areas of focus are Commercial Banking in the Netherlands and the local Rabobanks.

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

Appointed to the Managing Board with effect from September 1, 2017. As of May 1, 2021 Bart became CITO, Chief Innovation & Technology Officer (Tech., Innovation, Digital Transformation, Data & Analytics, Rabo Frontier Ventures). His current appointment term expires on May 1, 2025. Besides this, he is a member of the Supervisory Board of DLL International.

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

Appointed to the Managing Board with effect from July 1, 2009. His previous term expired on July 1, 2021, after which he was reappointed for two years. Berry Marttin is responsible for Wholesale and Rural, Leasing (DLL), Rabo Carbon Bank, and Rabo Research. Besides his activities for Rabobank, he is chair of the Supervisory Board of DLL International.

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

Appointed to the Managing Board with effect from September 1, 2017. Her previous appointment term expired on September 1, 2021 and was extended for 4 years. As CHRO, Janine Vos is responsible for the Human Resource policies and practices.

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

Appointed to the Managing Board with effect from September 1, 2017, his current appointment term expired on September 1, 2021 after which he stepped back as a Board Member.

**Relevant additional positions of the Managing Board members (December 31, 2021)**

|               |   |  |
|---------------|---|--|
| Wiebe Draijer | <ul style="list-style-type: none"> <li>Board member 'Nederlandse Vereniging van Banken'</li> <li>Board member 'Nationale Coöperatieve Raad' (NCR)</li> <li>Supervisory Board member 'Staatsbosbeheer'</li> </ul>      | <ul style="list-style-type: none"> <li>Member 'Cyber Security Raad' (CSR)</li> <li>Chair Supervisory Board 'KWF Kankerbestrijding'</li> <li>Member Executive Committee World Business Council for Sustainable Development (WBCSD)</li> </ul> |
| Bas Brouwers  | <ul style="list-style-type: none"> <li>Vice Chair of the Board of 'Nederlandse Vereniging van Banken'</li> </ul>  |  |
| Kirsten Konst | <ul style="list-style-type: none"> <li>Daily and General Board member VNO-NCW</li> <li>Supervisory Board member IDH: The Sustainable Trade Initiative</li> </ul>  |  |
| Berry Marttin | <ul style="list-style-type: none"> <li>Supervisory Board member Arise</li> <li>Member of 'Internationaal Strategisch Overleg' (ISO NL)</li> <li>President of the European Association of Cooperative Banks</li> </ul> | <ul style="list-style-type: none"> <li>Board Member of Trustees Hans R. Neumann Stiftung</li> </ul>  |
| Janine Vos    | <ul style="list-style-type: none"> <li>Supervisory Board member 'KLM N.V.'</li> <li>Advisory Board member 'Topvrouwen.nl'</li> <li>Advisory Board member Social Capital</li> </ul>                                    |  |

## Members of the Supervisory Board<sup>1,2,3</sup>

- Marjan Trompetter, *Chair*
- Petri Hofsté
- Arian Kamp
- Jan Nooitgedagt, *Vice-Chair*
- Pascal Visée
- Annet Aris
- Marc Pensaert
- Gert-Jan van den Akker
- Johan van Hall

### Jan Nooitgedagt (J.J.)

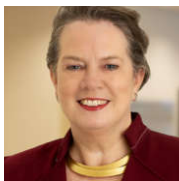
(Male, 1953, Dutch nationality)

Appointed to the Supervisory Board with effect from 2016 and current appointment term expires in 2024.



### Marjan Trompetter (M.)

(Female, 1963, Dutch nationality)



Appointed to the Supervisory Board with effect from 2015 and current appointment term expires in 2023.

### Pascal Visée (P.H.J.M.)

(Male 1961, Dutch nationality)



Appointed to the Supervisory Board with effect from 2016 and current appointment term expires in 2024.

### Petri Hofsté (P.H.M.)

(Female, 1961, Dutch nationality)

Appointed to the Supervisory Board with effect from 2016 and current appointment term expires in 2024.



### Annet Aris (A.P.)

(Female, 1958, Dutch nationality)



Appointed to the Supervisory Board with effect from 2018 and current appointment term expires in 2022.

### Arian Kamp (A.A.J.M.)

(Male, 1963, Dutch nationality)



Appointed to the Supervisory Board with effect from 2014 and current appointment term expires in 2022.

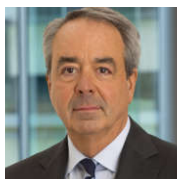
<sup>1</sup> The members of the Supervisory Board committees are listed in [the Report of the Supervisory Board](#).

<sup>2</sup> The Supervisory Board in its current composition meets principle 2.1.7 of the Dutch Corporate Governance Code.

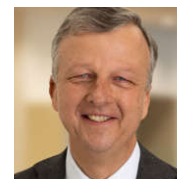
<sup>3</sup> Information about the profession, the main position, and the additional positions of Supervisory Board members can be found on <https://www.rabobank.com/en/about-rabobank/profile/organisation/board/supervisory-board.html>

**Marc Pensaert (M.R.C.)***(Male, 1964, Belgian nationality)*

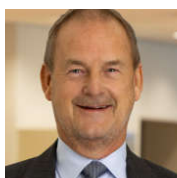
Appointed to the Supervisory Board with effect from 2020 and current appointment term expires in 2024.

**Johan van Hall, (J.)***(Male, 1960, Dutch nationality)*

Appointed to the Supervisory Board with effect from 2021 and current appointment term expires in 2025.

**Gert-Jan van den Akker, (G.J.)***(Male, 1959, Dutch nationality)*

Appointed to the Supervisory Board with effect from 2021 and current appointment term expires in 2025.

**Relevant additional positions of the Supervisory Board members (December 31, 2021)**

|                               |  |   |
|-------------------------------|--|---|
| Marjan Trompetter (M.)        | <ul style="list-style-type: none"> <li>Chair Supervisory Board 'Rijnstate Ziekenhuis', Arnhem</li> <li>Treasurer KNHM Foundation</li> <li>Owner Corona Consultancy</li> </ul>  |   |
| Petri Hofsté (P.H.M.)         | <ul style="list-style-type: none"> <li>Supervisory Board member Fugro N.V.</li> <li>Supervisory Board member Achmea B.V. and several subsidiaries</li> <li>Supervisory Board member Pon Holding B.V. Other additional positions</li> <li>Chair of the Nyenrode Foundation</li> </ul> | <ul style="list-style-type: none"> <li>Board member 'Vereniging Hendrick de Keyser'</li> <li>Advisory Board member 'Topvrouwen.nl'</li> <li>Jury member Kristal Price Dutch Ministry of Economical Affairs and Climate</li> </ul> |
| Arian Kamp (A.A.J.M.)         | <ul style="list-style-type: none"> <li>Owner Partnership A.A.J.M. Kamp en W.D. Kamp-Davelaar (Dairy Farm)</li> <li>Chair Supervisory Board 'Koninklijke Coöperatie Agrifirm U.A.'</li> <li>Chair Foundation 'Beheer Flynth'</li> </ul>   |   |
| Jan Nootgedagt (J.J.)         | <ul style="list-style-type: none"> <li>Chair Supervisory Board PostNL N.V.</li> <li>Chair Supervisory Board Invest-NL B.V.</li> <li>Board member Fiep Westendorp Foundation</li> </ul>   | <ul style="list-style-type: none"> <li>Board member Foundation 'Beschermingspreferente aandelen Fugro'</li> <li>Chair Foundation 'Aandelenbeheer BAM Groep'</li> </ul>  |
| Pascal Visée (P.H.J.M.)       | <ul style="list-style-type: none"> <li>Member Supervisory Board of Mediq Holding B.V.</li> <li>Member Supervisory Board of Plus Holding B.V.</li> <li>Supervisory Board member Royal FloraHolland U.A.</li> </ul>  | <ul style="list-style-type: none"> <li>Supervisory Board member Erasmus University</li> <li>Chair Supervisory Board Stedelijk Museum Schiedam</li> <li>Advisory Board member Nolet Group</li> </ul>                               |
| Annet Aris (A.P.)             | <ul style="list-style-type: none"> <li>Supervisory Board member Randstad N.V.</li> <li>Supervisory Board member ASML N.V.</li> <li>Supervisory Board member Jungheinrich AG</li> <li>Chair Advisory Board Spencer Stuart Netherlands</li> </ul>                                      | <ul style="list-style-type: none"> <li>Board member Foundation Vopak</li> <li>Chair Foundation 'Preferente Aandelen B KPN'</li> <li>Senior Affiliate Professor of Strategy at INSEAD</li> </ul>                                   |
| Mark Pensaert (M.R.C.)        | <ul style="list-style-type: none"> <li>Non-Executive Board Member at AgfaGevaert N.V.</li> <li>Senior Advisor to the Board of Tikehau Investment Management SA</li> </ul>  |   |
| Gert-Jan van den Akker (G.J.) | <ul style="list-style-type: none"> <li>Advisor to the Board Covantis, Switzerland</li> <li>Non-executive director Continental Trade and Commodity Services Ltd, UK</li> <li>Non-executive director Alvean S.A.</li> </ul>  | <ul style="list-style-type: none"> <li>Non executive Board member Meraxis sarl</li> </ul>   |
| Johan van Hall (J.)           | <ul style="list-style-type: none"> <li>Senior advisor at Boston Consulting Group</li> <li>Chair Supervisory Board Ordina N.V.</li> <li>Vice-chair Advisory 'Centraal Bureau van de Statistiek' (ended December 2021)</li> </ul>  |   |

# Appendix 1 About this Report

We have prepared the 2021 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 International <IR> Framework of the Value Reporting Foundation (the <IR> Framework).

Due to its strategic ambition to also focus on long-term value creation, the organization decided in 2021 to shift from the Sustainable reporting standards of the Global Reporting Initiative to the <IR> Framework as the basis for reporting on value creation in its annual report. As such, Rabobank Group aims to report on how it creates, preserves or erodes value for itself and for its direct and indirect stakeholders that are affected by Rabobank Group's business activities.

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 CO2 emissions. We have explained all specific guidelines we used in [Appendix 2](#).

Rabobank Group intends to not only give capital providers and its stakeholders a view of Rabobank Group's long-term value creation but also to make integrated thinking about value creation more mainstream within its organization.

## Scope and Boundaries

The 2021 Rabobank Annual Report relates to the reporting period of January 1, 2021 to December 31, 2021 and is published on our corporate website on March 10, 2022. 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 scope is limited. In addition to the financial control, the boundary of the annual report is determined by the nature and proximity of risks, opportunities and outcomes that affect the organization's ability to create value for Rabobank's direct and indirect stakeholders.

The Annual Report includes the data of newly acquired businesses as of the year following acquisition. The report does not include units divested during the reporting period. The 2021 Rabobank Annual Report aims to provide a complete, concise, and accurate view of our performance.

## Stakeholders

Rabobank's long-term value is created through relationship with its stakeholders. An understanding of the perspectives of key stakeholders is critical to identifying relevant matters. We recognize direct and indirect stakeholders.

We consider our clients, members, investors, and employees our direct stakeholders; society (NGOs, public service bodies, communities, and governing and supervisory bodies) we consider an indirect stakeholder. We explain our approach to stakeholder engagement on page 16.

## Materiality

We aim to report on how we create, preserve, or erode value for ourselves and for stakeholders that are affected by our activities over the short, medium and long term. To keep our activities aligned with social, economic, and ecological challenges, as well as with the expectations of our stakeholders, we look at how these challenges affect our performance, our position, and our development ('outside-in'). Moreover, we consider how we impact people and the environment ('inside-out').





Given the primary focus of the <IR> framework on long-term value creation, solely adopting a financial perspective in the materiality analysis would not be sufficient. As such, in 2021 we performed an extended materiality analysis. This analysis is based on the 'double' materiality perspective. In line with the requirements of the Non-Financial Reporting Directive (NFRD), our approach was to identify a) how sustainability issues affect Rabobank's performance, position and development (the 'outside-in' perspective), and b) our impact on people and the environment (the 'inside-out' perspective). While the former perspective is called financial materiality, the latter perspective is defined as environmental and social materiality. As financial materiality should be interpreted in the broad sense of affecting the value of the company, Rabobank Group calls it organizational materiality. In order to assess these

materiality dimensions, Rabobank Group used the Indicator for Sustainable Well-being framework (Brede Welvaartsindicator, BWI) and the United Nations Finance Initiative (UNEP-FI) Portfolio Impact Analysis Tool for Banks (UNEP-FI Tool).

We deem the Impact Analysis tool of the UN an appropriate tool for prioritizing our material topics. We are committed to the UN principles for responsible banking and have used a prior version of the tool to determine our key impact areas in prior years. The tool combines the objective factors of our portfolio and client numbers with different impact areas through a well-documented and supported mapping. The impact Rabobank has with its portfolio is an appropriate lens through which we can view inside-out materiality. The strategy of our bank is reflected in our portfolio. We see a significant

weight for banking for food internationally and have the broader portfolio in the Netherlands with a significant role for mortgages and current- and savings accounts. Through the Impact Analysis tool, this factor is weighed in the materiality analysis. Furthermore, as a final stage, the analysis is presented to our managing board. In this phase, potential mismatches between the bank's direction or strategy and the outcome of the analysis can be addressed.

We analyzed materiality in 4 main steps:

1. Identifying relevant matters based on their effect on value creation;
2. Evaluating the importance of relevant matters based on their effect on value creation;
3. Prioritizing the matters based on relative importance;
4. Determining the information to disclose about material matters.

#### 1. Identifying relevant matters based on their effect on value creation

Firstly, we selected stakeholders that are relevant for the materiality assessment. The selection was based on the relevance to Rabobank's transitions, on stakeholder's impact on Rabobank activities and on the relationships such as partnerships. Further, we analyzed relevant documentation from the selected stakeholders such as annual reports, websites, and meeting notes from stakeholder consultations to identify the most important topics. As the next step, provisional material themes were assigned to each of the documents. These provisional themes were based on the list of value creation and license to operate topics from the previous year. Topics that couldn't be grouped under the existing themes were assigned to a new relevant theme. As the result, a list of themes was made that are relevant to Rabobank Group's key transitions, strategy and activities, e.g. member engagement.

#### 2. Evaluating the importance of relevant matters based on their effect on value creation

To prevent duplication and to ensure complementarity, the relevant matters were clustered into overarching themes. Working definitions were also formulated to determine the boundaries and scope of the themes. Subsequently, these themes were ranked based on scores assigned to each BWI dimension (based on research of 15.000 respondents prioritizing the BWI dimensions based on relative importance).

To assess the relative importance of the relevant matters and Rabobank's impact, the UNEP FI tool was filled with on-balance exposure data from the following portfolios: the Dutch consumer portfolio, the Dutch SME portfolio, the

Dutch corporate portfolio, (financial) leasing portfolio, and our portfolio in the largest countries where we operate besides the Netherlands (United States, Australia, New Zealand and Brazil). The impact areas were ranked based on total impact in euros and were linked to the overarching themes by mapping the single most relevant impact areas to each of the themes. After the connection was made between the identified relevant matters from the desk research phase to the impact areas utilized by the UNEP FI tool, the average ranking of the materiality dimensions were divided under two categories: 'value creation' and 'license to operate'. If a theme is considered as highly material according to both organizational and environmental and social dimensions, it is placed under the category 'value creation'.

#### 4. Determining the information to disclose about material matters

During the final stage of the materiality analysis, the Managing Board discussed and validated the organizational, and environmental and social materiality matters derived from the prioritized long list. Finally, the Board decided whether a matter could be categorized as 'value creation' or 'license to operate'. This created the short list of material topics that underpins Rabobank's Annual Report of 2021.

Given the focus on the value creating material topics, we only publish our management approach on Value Creation Themes and quantitative indicators relevant to these themes. This report does not focus on our management approach and

various internal quantitative indicators related to the license to operate material themes. Our Material Themes for Value Creation (or Value Creation Themes) are:

| Material Themes for Value Creation   |                                |  |  |                          |
|--|--------------------------------|--|--|--------------------------|
| Theme 2020   | Theme 2021                     | Definition   | Quantitative Indicators                | Strategic Pillar         |
|  | Circular economy               | Promoting circularity, and responsible consumption of natural resources through our value chain                                      | Sustainable Products & Services        | Excellent Customer Focus |
| Increasing customer satisfaction   | Customer satisfaction          | Satisfying the needs of our customers by offering them excellent products and services   | Reprtrak Recommendation                | Excellent Customer Focus |
| Digitalizing and innovating services, System availability, Big data, and cybersecurity | Digitalization & innovation    | Investing in the digitalization and innovation of our products and services and shielding our operations from cyber security attacks | % online active                        | Excellent Customer Focus |
|  |                                |  | Availability of IB / MB / iDeal        | Excellent Customer Focus |
| Climate change   | Energy transition              | Promoting the shift from fossil fuels to renewable energy by financing and disseminating knowledge                                   | Sustainable Products & Services        | Excellent Customer Focus |
| Stimulating sustainable Food & Agri  | Sustainable agriculture & food | Fostering and disseminating knowledge about sustainable practices in the agriculture and food sectors                                | Sustainable Products & Services        | Excellent Customer Focus |
| Stimulating sustainable entrepreneurship   | Sustainable entrepreneurship   | Fostering and disseminating knowledge about sustainable practices among small and medium enterprises                                 | Sustainable Products & Services        | Excellent Customer Focus |
|  | Sustainable finance            | Investing in and providing access to finance to organizations that support sustainable practices                                     | Sustainable Products & Services        | Excellent Customer Focus |
|  | Sustainable housing            | Fostering the access to sustainable and affordable housing for society at large  | Sustainable Products & Services        | Excellent Customer Focus |
| Climate change   | Biodiversity & ecosystems      | Promoting the protection of biodiversity and ecosystems through our value chain  | Client Photo (Wholesale and Retail)*   | Meaningful Cooperative   |
| Climate change   | Climate change                 | Reducing greenhouse gas emissions through our value chain  | Sustainable Products & Services        | Excellent Customer Focus |
|  |                                |  | Own CO2 footprint                      | Meaningful Cooperative   |
|  |                                |  | Community funds and donations          | Meaningful Cooperative   |
|  | Health & wellbeing             | Fostering the health and wellbeing of society at large   | Reprtrak positive influence on Society | Meaningful Cooperative   |
|  |                                |  | Member Engagement Score                | Meaningful Cooperative   |
| Climate change   | Soil quality                   | Promoting the responsible use of soil in our value chain   | Client Photo (Wholesale and Retail)*   | Meaningful Cooperative   |
| Climate change   | Water sanitation and hygiene   | Promoting the safe and hygienic use of water in our value chain  | Client Photo (Wholesale and Retail)*   | Meaningful Cooperative   |
| Good financial performance   | Financial performance          | Achieving solid financial results by strengthening the resilience of the bank  | Net profit                             | Rock Solid Bank          |
|  |                                |  | CET 1 ratio                            | Rock Solid Bank          |
|  |                                |  | RoE                                    | Rock Solid Bank          |
|  |                                |  | cost/income ratio                      | Rock Solid Bank          |
|  |                                |  | Employee Engagement Scan               | Empowered Employees      |
|  | Decent work and income         | Promoting decent work and income for the workforce at large  | Diversity % woman employed             | Empowered Employees      |
|  |                                |  | Gender Pay Gap (adjusted)              | Empowered Employees      |
|  |                                |  | Absenteeism                            | Empowered Employees      |

*\*Although Client Photo is a quantitative indicator for Excellent Customer Focus, the connected Material Themes (Biodiversity & Ecosystems, Soil quality, and Water sanitation and hygiene) are seen as related to Meaningful Cooperative. These themes are, among other themes addressed in the Client Photo Framework.*

## Managing our Value Creation Themes

The Value Creation Themes are relevant to our organization's success. We use specifically formulated indicators to measure our performance. These indicators are part of our general

governance cycle, which are periodically evaluated and are published at least once a year. We use these periodic reviews to identify and pursue evaluative action, and we disclose the relevant results of our evaluation in our annual report.

| Strategic Pillar         | SDGs      | Theme 2021                     | Quantitative Indicators                                | Result 2021         | Target 2021                        | Target 2022                        |
|--------------------------|-----------|--------------------------------|--|---------------------|------------------------------------|------------------------------------|
| Excellent Customer Focus | 2, 8      | Circular economy               | Sustainable Products & Services                        | EUR 119,560 million | +10%                               | n/a*                               |
| Excellent Customer Focus | 2, 8      | Customer satisfaction          | Reptrak Recommendation                                 | 30%                 | n/a                                | n/a                                |
| Excellent Customer Focus | 2, 8      | Digitalization & innovation    | % online active (Private customers/ Corporate clients) | 67.0% / 82.4%       | n/a                                | n/a                                |
| Excellent Customer Focus | 2, 8      |                                | Availability of IB / MB / iDeal                        | 99.8%               | n/a                                | n/a                                |
| Excellent Customer Focus | 2, 8      | Energy transition              | Sustainable Products & Services                        | EUR 119,560 million | +10%                               | n/a*                               |
| Excellent Customer Focus | 2, 8      | Sustainable agriculture & food | Sustainable Products & Services                        | EUR 119,560 million | +10%                               | n/a*                               |
| Excellent Customer Focus | 2, 8      | Sustainable entrepreneurship   | Sustainable Products & Services                        | EUR 119,560 million | +10%                               | n/a*                               |
| Excellent Customer Focus | 2, 8      | Sustainable finance            | Sustainable Products & Services                        | EUR 119,560 million | +10%                               | n/a*                               |
| Excellent Customer Focus | 2, 8      | Sustainable housing            | Sustainable Products & Services                        | EUR 119,560 million | +10%                               | n/a*                               |
| Meaningful Cooperative   | 2, 13, 17 | Biodiversity & ecosystems      | Client Photo (Frontrunners Wholesale / Retail)         | 34% / 16%           | n/a                                | n/a                                |
| Excellent Customer Focus | 2, 8      | Climate change                 | Sustainable Products & Services                        | EUR 119,560 million | +10%                               | n/a*                               |
| Meaningful Cooperative   | 2, 13, 17 |                                | Own CO2 footprint                                      | 58,187 tonnes       | -6,060 tonnes                      | n/a                                |
| Meaningful Cooperative   | 2, 13, 17 | Health & wellbeing             | Community funds and donations                          | EUR 27.6 million    | At least 25,000 per local Rabobank | At least 25,000 per local Rabobank |
| Meaningful Cooperative   | 2, 13, 17 |                                | Reptrak positive influence on Society                  | 68.3                | 70.0                               | 68.8                               |
| Meaningful Cooperative   | 2, 13, 17 |                                | Member Engagement Score                                | 44%                 | n/a                                | n/a                                |
| Meaningful Cooperative   | 2, 13, 17 | Soil quality                   | Client Photo (Frontrunners Wholesale / Retail)         | 34% / 16%           | n/a                                | n/a                                |
| Meaningful Cooperative   | 2, 13, 17 | Water sanitation and hygiene   | Client Photo (Frontrunners Wholesale / Retail)         | 34% / 16%           | n/a                                | n/a                                |
| Rock Solid Bank          | 8         | Financial performance          | Net profit   | EUR 3,692 million   | n/a                                | n/a                                |
| Rock Solid Bank          | 8         |                                | CET 1 ratio  | 17.4%               | n/a                                | n/a                                |
| Rock Solid Bank          | 8         |                                | RoE  | 8.8%                | n/a                                | n/a                                |
| Rock Solid Bank          | 8         |                                | Cost/income ratio                                      | 63.8%               | n/a                                | n/a                                |
| Empowered Employees      | 8         | Decent work and income         | Employee Engagement Scan                               | 72                  | 70.8                               | 82.8                               |
| Empowered Employees      | 8         |                                | Diversity % woman employed                             | 49%                 | n/a                                | n/a                                |
| Empowered Employees      | 8         |                                | Gender Pay Gap (adjusted)                              | 1.8%                | n/a                                | n/a                                |
| Empowered Employees      | 8         |                                | Absenteeism  | 3.91%               | n/a                                | 4.07%                              |

\*The quantitative indicator Sustainable Products & Services is being scrutinized in order to align with upcoming regulations, e.g. EU Taxonomy, therefore no 2022 target is disclosed.

## Data Collection of Non-Financial Information

The collection of non-financial information is coordinated centrally within Rabobank Group. The Sustainability department shares responsibility with Finance & Control for collecting sustainability data. Other non-financial information of Rabobank Group divisions and local Rabobanks is obtained by our automated central management information system. Data that is not recorded in the central system is collected through qualitative and quantitative questionnaires (which are based on internal business principles, policies and external guidelines approved by Rabobank Group) 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 and the Sustainability department perform plausibility checks after submission and ensure that appropriate actions are taken to optimize the data quality. For more information on the methodologies and definitions used for indicators included in this report, please see the download on our website.

## Preparation of the Annual Report

The production process of our Annual 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, Sustainability and Communication and 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.

## Reporting in Accordance with the <IR> Framework

This Annual Report is prepared in accordance with the <IR> framework. The tables show how our report complies with the main principles of the report, being the guiding principles and content elements.

| Guiding Principles <IR> Framework               |   |   |
|---|---|---|
| Guiding principles                              | Our approach  | Reference   |
| <b>Strategic focus &amp; future orientation</b> | The report provides insight into how Rabobank creates, preserves and erodes value for the bank itself and other stakeholders by highlighting strategy, risks and opportunities. In addition, the report contains Chairman's message and outlook that include governance reflections on the past experiences, present performance and future strategic directions. Further, the value creation model explains how capitals are used and their contribution to Rabobank's strategic objectives and long-term impact (UN SDGs) | Foreword, p. 4-6<br>Creating value, p. 16-22<br>Outlook, p.94-95  |
| <b>Connectivity of information</b>              | The performance section is structured around strategic pillars reflected in the value creation model. This provides a holistic picture of the combination, interrelatedness and dependencies between the factors (content elements, past, present and the future, quantitative and qualitative information, financial and non-financial information) that affect the organization's ability to create, preserve or erode value over time.   | Creating value, p. 16-22<br>Performance on our strategy, p. 25-53   |
| <b>Stakeholder relationships</b>                | The report shows main stakeholder groups, the nature of the relationship, the role of the stakeholder dialogue in the value creation process, Rabobank's performance and risk management.   | Our Fundamentals, p.12-13<br>Creating value, p. 16-22<br>Performance on our strategy, p. 25-53<br>Risk management, p. 61-83<br>Appendix 1, p. 123-129 |
| <b>Materiality</b>                              | The report discloses information about materiality including the materiality assessment process, a list of the value creation topics, and how these topics are integrated in Rabobank's strategy  | Creating value, p. 16-22<br>Performance on our strategy, p. 25-53<br>Appendix 1, p. 123-129   |
| <b>Conciseness</b>                              | Rabobank explains the scope and the boundaries of the report. The document is clearly structured, linked to the results of the materiality assessment and limits repetition by providing internal or external references.   | Table of Content, p. 3<br>Appendix 1, p. 123-129  |
| <b>Reliability &amp; completeness</b>           | The report describes the processes that have been set up to ensure the quality of the information, provides a year-to-year overview of key figures and progress against set targets. Further, dilemmas, internal challenges and highlights of both positive as negative outcomes are included in the report to balance positive and negative aspects of the material matters.   | Key Figures, p. 10<br>Key Trends and Uncertainties, p. 23-24<br>Appendix 1, p. 123-129  |
| <b>Consistency and comparability</b>            | The structure of the Annual Report is followed from year to year, the changes are addressed. Moreover, Rabobank discloses quantitative indicators on year to year basis, where possible with an overview of five years. The information is aligned with the industry practices (benchmark data).  | Key Figures, p. 10<br>Appendix 1, p. 123-129  |



## Content Elements <IR> Framework

| Content elements  | Our approach  | Reference  |
|---|---|--|
| <b>Organizational overview &amp; external environment</b> | Rabobank reports on organizational overview and external environment by disclosing the information about mission and vision, culture and values of the company, its organizational structure, position in the market, as well as factors and trends affecting the external environment and Rabobank's response.   | Our fundamentals, p. 12-13<br>Key Trends and Uncertainties, p. 23-24   |
| <b>Governance</b>   | The report contains a governance chapter, which describes how Rabobank's governance structure supports creating value in the short, medium and long term. It links the remuneration policy and strategic priorities with the input capitals and discloses management views and steers the relevant capitals.  | Foreword, p. 4-6<br>Our fundamentals, p. 12-13<br>Corporate Governance, p. 97-122<br>Remuneration, p. 104-109        |
| <b>Business model</b>                                     | The business model of Rabobank includes inputs, business activities, outputs, outcomes.<br><br>The report provides a partial explanation how the organization creates, preserves and erodes the value in short, medium and long term. It includes a description of stakeholders, external trends affecting the business model, link to the material topics and the UN Sustainable Development Goals.        | Creating value, p. 16-22   |
| <b>Risks and Opportunities</b>                            | Rabobank describes material risks and opportunities that affect the organization and how Rabobank responds to them. A clear distinction to risks and opportunities on the short, medium and long term cannot be completely made yet and due to data availability and complexity a disclosure on the likelihood and impact of risks is not fully included.   | Key Trends and Uncertainties, p. 23-24<br>17-18<br>Performance on our strategy, p. 25-53<br>Risk management, p.61-83 |
| <b>Strategy and resource allocation</b>                   | The report describes objectives and how those objectives are measured; the description of the strategy is drawn from the stakeholder engagement or from the assessment of external trends and identified risks and opportunities; the value creation model explains how capitals are used and impacted. The report does not provide full disclosure and description of the targets in medium and long term. | Creating value, p. 16-22<br>Performance on our strategy, p. 25-53<br>Appendix 1, p. 123-129                          |
| <b>Performance</b>  | Rabobank's performance on the set objectives and what are the outcomes on all capital forms are presented in the report.  | Key Figures, p. 10<br>Performance on our strategy, p. 25-53<br>Appendix 1, p. 123-129                                |
| <b>Outlook</b>  | The report includes an outlook for the future both the financial environment/performance and the non-financial environment/performance.   | Chairman's foreword , p. 4-6<br>Outlook, p. 94-95  |
| <b>Basis of preparation and presentation</b>              | The basis of the preparation and presentation is included in the report. This entails a summary of the process to determine materiality, a description of the reporting boundary and how it was determined and an <IR> Framework reference table.   | Appendix 1, p. 123-129   |

## Assurance

We believe that the reliability of the information included in this report is crucial for us and for our stakeholders. Our external auditor PwC has performed a limited assurance engagement on the non-financial information in this report. For more information on the assurance engagement including the scope thereof, we refer to [the Independent Auditor's Report](#).

# Appendix 2 Methodology & Definitions of Non-Financial Key Figures 2021

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.

|                             |  |
|-----------------------------|--|
| RepTrak                     | <p>RepTrak measures several scores including:</p> <ul style="list-style-type: none"> <li>The overall reputation across seven key dimensions, based on customers' perception of esteem, admiration, trust, and overall feeling.</li> <li>The Positive Influence on Society Score</li> <li>The Recommendation Score</li> </ul>   |
| Methodology/<br>Terminology | <p>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.</p> <p>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.</p> <p>Additionally, for the first time in June 2021, the RepTrak Positive Influence on Society Score is included in the infographic. This score is measured in the same RepTrak monitor as the RepTrak Pulse Score and therefore the information is available for previous years.</p> <p>As of December 2021, also the RepTrak Recommendation Score is included in the infographic. This score is measured for General Public. The score is based on the statement: I would recommend the products/services of Rabobank. The results are based on a Likert scale from 1 to 7 with a "Not Sure" option and the results are based on the % of people that scored the statement with a 6 of 7 in the Likert scale.</p> |
| % Online Active             | Percentage of customers that logged into the Rabobank Banking App or online banking at least once in the last three months   |
| Methodology/<br>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.  |
| Member<br>Engagement Score  | The percentage of members classified as proactive, active and informed in relation to the total number of members surveyed   |
| Methodology/<br>Terminology | <p>Members answer an online survey and are allocated to five categories according to their answers:</p> <ol style="list-style-type: none"> <li>Proactive members: Members who take part in (or have taken part in) a member council or market team.</li> <li>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</li> <li>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.</li> <li>Aware members: Members who are aware of their membership</li> <li>Non-aware members: Members who are not aware of their membership.</li> </ol> <p>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.</p>  |
| Employee<br>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/<br>Terminology | <p>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.</p> <p>As of June 2021 and further the external employees are included in the survey insofar there are no limitation stemming from laws and regulations of the different jurisdictions Rabobank is active in.</p> <p>We based the score given in this report on the Q4 results. We have not compared the Engagement Scan to external benchmarks.</p>  |

|  |   |
|--|---|
| Employee Engagement Score  | <i>The Employee Engagement Score is the external version of the Employee Engagement Scan. Our provider Effectory has identified the questions in our total scan which are included by other parties. By just using these results external benchmarking will be an option.</i>   |
| Methodology/ Terminology   | We measure and report employee engagement as of 2021 not only through the Engagement Scan but also through the Engagement Score. HR has commissioned a specialized external data survey agency to collaborate on determine the options for potential benchmarking. This has resulted in just a few questions (which are already included in the Engagement Scan) which are taken into account.  |
| For 2021 both scores are included in the Key Figures, as of 2022 only the Employee Engagement Score will be reported.  |   |
| Gender Diversity   | <i>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.</i>  |
| 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 reporting date. 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 women employed across the organization in the Netherlands (including Obvion) for internal employees only.  |
| Availability of Mobile / Internet Banking  | <i>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.</i>  |
| Methodology/ Terminology   | By availability we mean that users are able to log on during primetime (daily between 06.30h 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  | <i>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.</i>  |
| 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  | <i>We measure and report the total of sustainable finance, sustainable assets under management and assets held in custody, sustainable funding and supervised financial transactions.</i>   |
| Methodology/ Terminology   | The separate categories are defined and specified further in the items below.   |
| Sustainable Financing  | <i>Sustainable Financing as determined by Rabobank includes Mortgages, Green Loans, Project Finance, Corporate Loans NL and DLL Clean tech financing. The categories are defined further below.</i>   |
| Methodology/ Terminology   | We have assessed our total portfolio 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 in 2020. We have also removed the recorded amount for wholesale sustainable loans from the position at year-end 2019, which was 1,417 million.   |
| Sustainable finance includes the following categories:   |   |
| <ul style="list-style-type: none"> <li><i>Mortgages:</i> 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. As of June 2021 the Obvion Mortgages are included in the reported figure. (HY 2020: EUR 7,198 million) In this figure are also the label A mortgages included which are sold to investors, this because Rabobank is still responsible for stimulating the clients to improve their properties. (YE 2021: EUR 695 million) The amount of provisional energy label A is EUR 15,923 million (2020: EUR 17,163 million)</li> <li><i>Green loans:</i> Green loans are loans that meet the "green" criteria of the RVO (Netherlands Enterprise Agency). On a project basis (loan basis) Rabo Groenbank submits the project documentation and the RVO subsequently determines whether a project meets the criteria. If this is the case, the RVO issues a green certificate (with a duration of usually 10 years) and the loan qualifies as a "green" loan for the duration of the certificate. As of June 2021: Green Mortgages are mortgages for new built homes that meet the "green" criteria of the RVO. On a project basis RGB submits the project documentation and the RVO subsequently determines whether a project meets the criteria. If this is the case, the RVO issues a green certificate (with a duration of 10 years) and the mortgage qualifies as a "green" mortgage for this period.</li> <li><i>Project finance:</i> Sustainable project finance relates to all renewable energy projects financed in the domain of wind, solar, hydropower and geothermal energy. Closing the-loop projects, like installations using bio-waste streams as an energy resource, are included too. As of June 2021 the figure is based on outstanding amounts instead of nominal amounts. This has also resulted in a restatement for December 2020 (decrease of EUR 2,465 million).</li> <li><i>Corporate loans NL:</i> Financing for companies that have a sustainable client photo label A (for more details about client photo please refer to the definition of client photo).</li> <li><i>DLL Clean tech financing:</i> 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.</li> </ul> |   |

|   |   |
|---|---|
| <b>Sustainable Funding</b>  | <i>Sustainable Funding includes Rabobank Green, Social and Sustainability Bonds and Deposits, Obvion Green, Social and Sustainability Bonds, Rabo Green Savings (Rabo Groen Bank B.V.), Rabo Green Deposits (Rabo Groen Bank B.V.).</i>   |
| <b>Methodology/ Terminology</b>                                       | <p>Sustainable funding includes funding products with a sustainability earmark and consists of :</p> <ul style="list-style-type: none"> <li><i>Rabobank Green, Social and Sustainability Bonds and Deposits:</i> Green, Social or Sustainability bonds that are issued, ringfenced and of which the framework is issued under the Green Bond Principles and associated guiding principles and Deposits that are solely allocated to sustainable financing</li> <li><i>Obvion Green, Social and Sustainability Bonds:</i> Obvion Green, Social or Sustainability bonds that are issued, ringfenced and of which the framework is issued under the GBP and associated guiding principles.</li> <li><i>Rabo Green Savings (Rabo Groen Bank B.V.):</i> Savings that are used solely to finance (in the form of loans) projects that have a "sustainability label" issued by the RVO.</li> <li><i>Rabo Green Deposits (Rabo Groen Bank B.V.):</i> Deposits that are used solely to finance (in the form of loans) projects that have a "sustainability label" issued by the RVO.</li> </ul>  |
| <b>Sustainable Assets under Management and assets held in custody</b> | <i>Relates to assets that meet our sustainability investment criteria and are classified by Morningstar as "sustainable investment overall".</i>  |
| <b>Methodology/ Terminology</b>                                       | <p>Sustainable Assets under Management and assets held in custody relates to assets that meet our sustainability investment criteria and are classified by Morningstar as "sustainable investment overall". The funds are selected based on (at least one of) three criteria; Funds are selected based on (at least one of) three criteria;</p> <ol style="list-style-type: none"> <li>1. The use of multiple additional exclusion criteria compared to the exclusions list</li> <li>2. Best-in-class companies or countries from a sustainability perspective, and</li> <li>3. Sustainable theme.</li> </ol>   |
| <b>Transactions Supervised by</b>                                     | <i>Transactions that are supervised by Rabobank</i>   |
| <b>Methodology/ Terminology</b>                                       | <p>These are transactions supervised by Rabobank and include:</p> <p>ESG Bonds comprise of the following Bond types:</p> <ul style="list-style-type: none"> <li>Green, Social and Sustainability Bonds are issued under the ICMA Green Bond Principles, Social Bond Principles and Sustainability Bond Guidelines. Transition Bonds are issued under the ICMA's guidelines on climate transition finance</li> <li>Sustainability-Linked Bonds follow the ICMA Sustainability-Linked Bond Principles and include (a) sustainability target(s) that has to be achieved, and otherwise triggers are penalty for the issuer. Bonds are brought to the market by a group of ca. 4 banks –which are all evenly responsible for the transaction. Therefore, the full volume of a Bond supported has been included.</li> </ul> <p>Sustainable Loans comprise of the following Loan types:</p> <ul style="list-style-type: none"> <li>Green and Social Loans are issued under the APLMA/LSTA/LMA Green Loan Principles and Social Loan Principles respectively. Sustainability Loans are a mixture of both, Transition Loans follow the ICMA's guidelines on climate transition finance. The Use of Proceeds of the Loans are predefined.</li> <li>Sustainability-Linked Loans follow the APLMA/LSTA/LMA Sustainability-Linked Loan Principles and include (a) sustainability target(s) that has to be achieved. The realisation of the targets defined trigger either a margin benefit or a margin penalty.</li> </ul>  |
| <b>Client Photo</b>   | <i>The client photo measures the sustainability performance of our clients. We have defined 5 performance level categories (A, B, C, D+, and D).</i>  |
| <b>Methodology/ Terminology</b>                                       | <p>We monitor clients with an exposure &gt; EUR 1 million. We include a table in the Annual Report that shows the coverage and label A percentages of the clients and we include a table in the ESG Facts and Figures that shows the number of client photos in the Netherlands and with an exposure (&gt; EUR 1 million) for each client photo category per sector. The table regarding the wholesale offices also includes client photos of subsidiaries (but only if the exposure on group level is &gt;EUR 1 million). In the Netherlands we always assess clients on group level. At our wholesale offices, clients may also be assessed on a subsidiary level when required by local regulation or specific local circumstances.</p> <p>The reported figures on client exposures from local Rabobanks only include the exposure of parent companies, even in those situations where the client photo is applicable for the whole group. The exposure of clients of Wholesale offices include both the exposure of parent companies and subsidiaries. The scope of the reported exposure is the nominal exposure measured by the available facility of loans, overdraft facilities and guarantees to be withdrawn.</p> <p>The disclosed % are calculated based on the number of clients.</p> <p>The Client Photo is part of the onboarding/credit process and is monitored. We assign categories through a qualitative process in which client metrics are taken into account and benchmarked with industry/sector specific indicators. Finally, professional judgement is applied to assign a score. The unique Rabobank Client Photo assesses the sustainability performance, based upon professional judgement on the sustainability performance, of our clients and where they stand on our sustainability policies. We acknowledge several limitations in this Client Photo, because we are confronted with the limited availability of sustainability-related data &amp; methodologies and the necessity to use professional judgement. However it still facilitates our assessment of the sustainability of our clients. We iterate and improve through a continuous process.</p> |
| <b>Absenteeism</b>  | <i>Absenteeism is measured in a 12-month rolling period.</i>  |
| <b>Methodology/ Terminology</b>                                       | 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 and partial sickness. This concerns all persons who are actively employed in the Netherlands.  |

|                                      |   |
|--------------------------------------|---|
| <i>CO<sub>2</sub> reduction</i>      | <i>By increasing energy efficiency and by reducing and making mobility and other services more sustainable.</i>   |
| Methodology/<br>Terminology          | <p>The climate footprint is calculated according to the most recent directives of the Greenhouse Gas Protocol (GHG) and the associated CO<sub>2</sub> 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 to September 30. 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.</p> <p>Our climate footprint consists of CO<sub>2</sub> emissions and does not include other emissions (e.g., CH<sub>4</sub>, N<sub>2</sub>O and other gasses).</p> <p>Regarding the scope of our CO<sub>2</sub> emissions are BPD and DLL included and is Obvion excluded.</p> |
| <i>Community funds and donations</i> | <i>We invest part of our annual profit in social initiatives on a not-for-profit basis throughout the Rabobank Group.</i>   |
| Methodology/<br>Terminology          | <p>We measure and report this key figure by calculating the financial donations made by Rabobank Group 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.</p> <p>Terminology: Cooperative dividend - the part of the profit reinvested back into the community whereby investments consist of granted donations.</p>   |
| <i>Gender Pay Gap</i>                | <i>Pay equality is measured as the difference in average compensation for men and women corrected for a number of characteristics</i>   |
| Methodology/<br>Terminology          | <p>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 Collective Labor Agreement population excluding Obvion, DLL, BPD expats and employees in scales 0-3. Variable pay is not taken into account as part of the compensation. The reported figures represent December 2021.</p>  |
| <i>Training expenses</i>             | <i>The training expenses per FTE</i>  |
| Methodology/<br>Terminology          | The training expenses are based on the financial figures in the trial balance divided by the average FTE for the reporting year.  |
| <i>Number of countries</i>           | <i>The number of countries in which we are located</i>  |
| Methodology/<br>Terminology          | We define the number of countries as all the countries in which a subsidiary or branch office is established.   |
| <i>Number of local banks</i>         | <i>The number of local banks in the Netherlands</i>   |
| Methodology/<br>Terminology          | We define the total of local banks as all the local banks in the Netherlands.   |
| <i>Number of offices</i>             | <i>The number of offices in the Netherlands</i>   |
| Methodology/<br>Terminology          | We measure our offices as a total of offices and branches in the Netherlands. This are all the locations which can be entered by clients. The other physical locations are excluded in the reported figure.   |
| <i>Number of clients</i>             | <i>The number of clients in the Netherlands (Local Banks and Obvion)</i>  |
| Methodology/<br>Terminology          | We define the total of clients as all the clients of the local banks and Obvion. The clients of the local banks are identified by all the natural persons for particular clients and all the commercial groups for business clients. The total of Obvion is based on the total loans of Obvion and pension fund ABP. Therefore it is possible that there are clients recorded twice in the population. That is the case if a person is registered with Rabobank and also has a loan with Obvion.  |
| <i>Number of employees</i>           | <i>The number of employees of Rabobank Group</i>  |
| Methodology/<br>Terminology          | <p>The number of employees of Rabobank Group is based on the scheduled weekly hours / default weekly hours. The baseline is the last day of the month situation and the following variables are taken into consideration:</p> <ul style="list-style-type: none"> <li>Workers with contracts that ended during the month are excluded.</li> <li>Workers with contract end-date on the last day of the month are included.</li> <li>The workers on leave and interns/apprentices are included.</li> </ul>   |



# *Consolidated Financial Statements*



# Contents

|  |            |  |            |
|--|------------|--|------------|
| <b>Consolidated Statement of Financial Position</b>  | <b>136</b> | 2.31 Segmented Information   | 157        |
| <b>Consolidated Statement of Income</b>  | <b>137</b> | 2.32 Government Grant  | 157        |
| <b>Consolidated Statement of Comprehensive Income</b>  | <b>138</b> | 2.33 Cash Flow Statement   | 157        |
| <b>Consolidated Statement of Changes in Equity</b>   | <b>139</b> | <b>3. Solvency and Capital Management</b>                                    | <b>157</b> |
| <b>Consolidated Statement of Cash Flows</b>  | <b>140</b> | <b>4. Risk Exposure on Financial Instruments</b>                             | <b>159</b> |
| <b>Notes to the Consolidated Financial Statements</b>  | <b>142</b> | 4.1 Risk Organization  | 159        |
| <b>1. Corporate Information</b>  | <b>142</b> | 4.2 Strategy for the Use of Financial Instruments                            | 159        |
| <b>2. Accounting Policies</b>  | <b>142</b> | 4.3 Credit Risk  | 159        |
| 2.1 Basis of Preparation   | 142        | 4.4 Non-Trading Foreign Exchange Rate Risk (FX risk)                         | 175        |
| 2.2 Consolidated Financial Statements  | 145        | 4.5 Interest Rate Risk in the Banking Environment                            | 175        |
| 2.3 Derivatives and Hedging  | 146        | 4.6 Market Risk in the Trading Environment                                   | 176        |
| 2.4 Financial Assets and Liabilities Held for Trading  | 147        | 4.7 Liquidity Risk   | 177        |
| 2.5 Financial Assets and Financial Liabilities Designated at Fair Value                      | 147        | 4.8 Operational Risk   | 181        |
| 2.6 Day One Gains/ Losses  | 147        | 4.9 Fair Value of Financial Assets and Liabilities                           | 181        |
| 2.7 Financial Assets at Fair Value Through Other Comprehensive Income                        | 148        | 4.10 Legal and Arbitration Proceedings                                       | 187        |
| 2.8 Repurchase Agreements and Reverse Repurchase Agreements                                  | 148        | <b>5. Segment Reporting</b>  | <b>190</b> |
| 2.9 Securitizations and (De)Recognition of Financial Assets and Liabilities                  | 148        | 5.1 Business Segments  | 190        |
| 2.10 Cash and Cash Equivalents   | 149        | 5.2 Geographic Information (Country-by-Country Reporting)                    | 193        |
| 2.11 Offsetting Financial Assets and Liabilities   | 149        | 5.3 Geographic Information of Non-current Assets                             | 196        |
| 2.12 Foreign Currency  | 149        | <b>6. Cash and Cash Equivalents</b>  | <b>196</b> |
| 2.13 Interest  | 149        | <b>7. Loans and Advances to Credit Institutions</b>                          | <b>196</b> |
| 2.14 Fees and Commissions  | 150        | <b>8. Financial Assets Held for Trading</b>                                  | <b>196</b> |
| 2.15 Loans and Advances to Customers and Loans and Advances to Credit Institutions           | 150        | <b>9. Financial Assets Mandatorily at Fair Value</b>                         | <b>196</b> |
| 2.16 Impairment Allowances on Financial Assets and Credit Related Contingent Liabilities     | 150        | <b>10. Derivatives</b>   | <b>196</b> |
| 2.17 Modifications   | 152        | 10.1 Types of Derivatives Used by Rabobank                                   | 196        |
| 2.18 Goodwill and Other Intangible Assets  | 152        | 10.2 Derivatives Held for Trading  | 197        |
| 2.19 Property and Equipment  | 153        | 10.3 Derivatives Designated as Hedging Instrument                            | 197        |
| 2.20 Investment Properties   | 153        | 10.4 Notional Amount and Fair Value of Derivatives                           | 202        |
| 2.21 Other Assets  | 153        | 10.5 Interest Rate Benchmark Reform  | 203        |
| 2.22 Leasing   | 154        | <b>11. Loans and Advances to Customers</b>                                   | <b>204</b> |
| 2.23 Provisions  | 155        | <b>12. Financial Assets at Fair Value through Other Comprehensive Income</b> | <b>205</b> |
| 2.24 Employee Benefits   | 155        | <b>13. Investments in Associates and Joint Ventures</b>                      | <b>205</b> |
| 2.25 Variable Remuneration Based on Equity Instruments                                       | 156        | 13.1 Investments in Associates   | 205        |
| 2.26 Tax   | 156        | 13.2 Investments in Joint Ventures   | 206        |
| 2.27 Deposits from Credit Institutions, Deposits from Customers and Debt Securities in Issue | 156        | <b>14. Goodwill and Other Intangible Assets</b>                              | <b>207</b> |
| 2.28 Rabobank Certificates   | 156        | <b>15. Property and Equipment</b>  | <b>208</b> |
| 2.29 Capital Securities  | 157        | <b>16. Investment Properties</b>   | <b>209</b> |
| 2.30 Financial Guarantees  | 157        | <b>17. Other Assets</b>  | <b>211</b> |
|  |            | <b>18. Non-Current Assets Held for Sale</b>                                  | <b>211</b> |
|  |            | <b>19. Deposits from Credit Institutions</b>                                 | <b>211</b> |
|  |            | <b>20. Deposits from Customers</b>   | <b>211</b> |
|  |            | <b>21. Debt Securities in Issue</b>  | <b>212</b> |
|  |            | <b>22. Financial Liabilities Held for Trading</b>                            | <b>212</b> |
|  |            | <b>23. Financial Liabilities Designated at Fair Value</b>                    | <b>212</b> |

|  |     |
|--|-----|
| 24. Other Liabilities  | 212 |
| 25. Provisions   | 212 |
| 26. Deferred Taxes   | 213 |
| 27. Employee Benefits  | 214 |
| 28. Subordinated Liabilities   | 215 |
| 29. Contingent Liabilities   | 215 |
| 30. Reserves and Retained Earnings   | 216 |
| 31. Rabobank Certificates  | 217 |
| 32. Capital Securities   | 217 |
| 33. Non-Controlling Interests  | 218 |
| 34. Changes in Liabilities Arising from Financing Activities                                 | 218 |
| 35. Net Interest Income  | 219 |
| 36. Net Fee and Commission Income  | 219 |
| 37. Net Income from Other Operating Activities   | 219 |
| 38. Income from Investments in Associates and Joint Ventures                                 | 220 |
| 39. Gains/ (Losses) on Financial Assets and Liabilities at Fair Value through Profit or Loss | 220 |
| 40. Other Income   | 220 |
| 41. Staff Costs  | 220 |
| 42. Other Administrative Expenses  | 222 |
| 43. Depreciation and Amortization  | 222 |
| 44. Impairment Charges on Financial Assets   | 222 |
| 45. Regulatory Levies  | 222 |
| 46. Income Tax   | 222 |
| 47. Transactions with Related Parties  | 222 |
| 48. Cost of External Independent Auditor   | 223 |
| 49. Remuneration of the Supervisory Board and the Managing Board                             | 224 |
| 50. Principal Subsidiaries   | 226 |
| 51. Transfer of Financial Assets and Financial Assets Provided as Collateral                 | 226 |
| 52. Structured Entities  | 228 |
| 53. Events after the Reporting Period  | 228 |
| 54. Management Report on Internal Control over Financial Reporting                           | 229 |
| 55. Authorization of the Financial Statements  | 230 |

# Consolidated Statement of Financial Position

## Consolidated Statement of Financial Position

|   |                    | December 31    | December 31    |
|---|--------------------|----------------|----------------|
| Amounts in millions of euros                                      | Note               | 2021           | 2020           |
| <b>Assets</b>   |                    |                |                |
| Cash and cash equivalents   | <a href="#">6</a>  | 120,533        | 108,466        |
| Loans and advances to credit institutions                         | <a href="#">7</a>  | 22,065         | 21,383         |
| Financial assets held for trading                                 | <a href="#">8</a>  | 2,484          | 2,536          |
| Financial assets mandatorily at fair value                        | <a href="#">9</a>  | 2,502          | 2,075          |
| Derivatives   | <a href="#">10</a> | 22,971         | 29,638         |
| Loans and advances to customers                                   | <a href="#">11</a> | 436,471        | 436,182        |
| Financial assets at fair value through other comprehensive income | <a href="#">12</a> | 13,544         | 15,495         |
| Investments in associates and joint ventures                      | <a href="#">13</a> | 2,282          | 2,183          |
| Goodwill and other intangible assets                              | <a href="#">14</a> | 678            | 740            |
| Property and equipment  | <a href="#">15</a> | 4,432          | 4,565          |
| Investment properties   | <a href="#">16</a> | 438            | 450            |
| Current tax assets  |                    | 133            | 136            |
| Deferred tax assets   | <a href="#">26</a> | 803            | 849            |
| Other assets  | <a href="#">17</a> | 10,166         | 7,508          |
| Non-current assets held for sale                                  | <a href="#">18</a> | 73             | 52             |
| <b>Total assets</b>   |                    | <b>639,575</b> | <b>632,258</b> |
| <b>Liabilities</b>  |                    |                |                |
| Deposits from credit institutions                                 | <a href="#">19</a> | 73,008         | 61,162         |
| Deposits from customers   | <a href="#">20</a> | 372,031        | 361,028        |
| Debt securities in issue  | <a href="#">21</a> | 108,709        | 113,521        |
| Financial liabilities held for trading                            | <a href="#">22</a> | 1,419          | 998            |
| Financial liabilities designated at fair value                    | <a href="#">23</a> | 3,817          | 5,175          |
| Derivatives   | <a href="#">10</a> | 18,710         | 28,402         |
| Other liabilities   | <a href="#">24</a> | 6,425          | 6,647          |
| Provisions  | <a href="#">25</a> | 1,072          | 619            |
| Current tax liabilities   |                    | 759            | 158            |
| Deferred tax liabilities  | <a href="#">26</a> | 343            | 430            |
| Subordinated liabilities  | <a href="#">28</a> | 9,880          | 13,486         |
| <b>Total liabilities</b>  |                    | <b>596,173</b> | <b>591,626</b> |
| <b>Equity</b>   |                    |                |                |
| Reserves and retained earnings                                    | <a href="#">30</a> | 31,097         | 27,852         |
| Equity instruments issued by Rabobank                             |                    |                |                |
| - Rabobank Certificates   | <a href="#">31</a> | 7,825          | 7,822          |
| - Capital Securities  | <a href="#">32</a> | 3,978          | 4,482          |
|   |                    | <b>11,803</b>  | <b>12,304</b>  |
| Non-controlling interests   | <a href="#">33</a> | 502            | 476            |
| <b>Total equity</b>   |                    | <b>43,402</b>  | <b>40,632</b>  |
| <b>Total equity and liabilities</b>                               |                    | <b>639,575</b> | <b>632,258</b> |

# Consolidated Statement of Income

| <i>Consolidated Statement of Income</i>   |                           |                                       |               |
|---|---------------------------|---------------------------------------|---------------|
|   |                           | <i>For the year ended December 31</i> |               |
| <i>Amounts in millions of euros</i>   | <i>Note</i>               | <i>2021</i>                           | <i>2020</i>   |
| Interest income from financial assets using the effective interest method                     | <a href="#">35</a>        | 12,051                                | 13,362        |
| Other interest income   | <a href="#">35</a>        | 1,212                                 | 414           |
| Interest expense  | <a href="#">35</a>        | 4,912                                 | 5,779         |
| <b>Net interest income</b>  | <b><a href="#">35</a></b> | <b>8,351</b>                          | <b>7,997</b>  |
| Fee and commission income   | <a href="#">36</a>        | 2,301                                 | 2,079         |
| Fee and commission expense  | <a href="#">36</a>        | 293                                   | 299           |
| <b>Net fee and commission income</b>  | <b><a href="#">36</a></b> | <b>2,008</b>                          | <b>1,780</b>  |
| Income from other operating activities  | <a href="#">37</a>        | 2,567                                 | 2,294         |
| Expenses from other operating activities  | <a href="#">37</a>        | 1,963                                 | 1,814         |
| <b>Net income from other operating activities</b>   | <b><a href="#">37</a></b> | <b>604</b>                            | <b>480</b>    |
| Income from investments in associates and joint ventures                                      | <a href="#">38</a>        | 334                                   | 188           |
| Gains/ (losses) arising from the derecognition of financial assets measured at amortised cost |                           | (3)                                   | 4             |
| Gains/ (losses) on financial assets and liabilities at fair value through profit or loss      | <a href="#">39</a>        | 676                                   | (13)          |
| Gains/ (losses) on financial assets at fair value through other comprehensive income          |                           | 136                                   | 126           |
| Other income  | <a href="#">40</a>        | 63                                    | 220           |
| <b>Income</b>   |                           | <b>12,169</b>                         | <b>10,782</b> |
| Staff costs   | <a href="#">41</a>        | 4,657                                 | 4,684         |
| Other administrative expenses   | <a href="#">42</a>        | 2,035                                 | 1,463         |
| Depreciation and amortization   | <a href="#">43</a>        | 352                                   | 395           |
| <b>Operating expenses</b>   |                           | <b>7,044</b>                          | <b>6,542</b>  |
| Impairment on goodwill and investments in associates  | <a href="#">13, 14</a>    | -                                     | 283           |
| Impairment charges on financial assets  | <a href="#">44</a>        | (474)                                 | 1,913         |
| Regulatory levies   | <a href="#">45</a>        | 722                                   | 548           |
| <b>Operating profit before tax</b>  |                           | <b>4,877</b>                          | <b>1,496</b>  |
| Income tax  | <a href="#">46</a>        | 1,185                                 | 400           |
| <b>Net profit for the year</b>  |                           | <b>3,692</b>                          | <b>1,096</b>  |
| Of which attributed to Rabobank   |                           | 2,910                                 | 822           |
| Of which attributed to Rabobank Certificates  |                           | 509                                   | -             |
| Of which attributed to Capital Securities issued by Rabobank                                  |                           | 177                                   | 233           |
| Of which attributed to non-controlling interests  | <a href="#">33</a>        | 96                                    | 41            |
| <b>Net profit for the year</b>  |                           | <b>3,692</b>                          | <b>1,096</b>  |



# Consolidated Statement of Comprehensive Income

## Consolidated Statement of Comprehensive Income

| Amounts in millions of euros  | Note               | 2021         | 2020         |
|---|--------------------|--------------|--------------|
| <b>Net profit for the year</b>  |                    | <b>3,692</b> | <b>1,096</b> |
| <i>Other comprehensive income transferred to profit or loss if specific conditions are met, net of tax:</i>     |                    |              |              |
| Exchange differences on translation of foreign operations   | <a href="#">30</a> | 555          | (691)        |
| Increase/ (decrease) in the fair value of debt instruments at fair value through other comprehensive income     | <a href="#">30</a> | (155)        | 44           |
| Costs of hedging  | <a href="#">30</a> | 42           | (10)         |
| Cash flow hedges  | <a href="#">30</a> | 33           | (21)         |
| Share of other comprehensive income of associates and joint ventures  | <a href="#">30</a> | (9)          | (23)         |
| Other   | <a href="#">30</a> | -            | 26           |
| <i>Other comprehensive income not to be transferred to profit or loss, net of tax:</i>                          |                    |              |              |
| Remeasurements of post-employee benefit obligations   | <a href="#">30</a> | 4            | (10)         |
| Increase/ (decrease) in the fair value of equity instruments at fair value through other comprehensive income   | <a href="#">30</a> | (65)         | (21)         |
| Share of other comprehensive income of associates and joint ventures  | <a href="#">30</a> | (6)          | 9            |
| Decrease/ (increase) in the fair value due to own credit risk on financial liabilities designated at fair value | <a href="#">30</a> | (21)         | 34           |
| <b>Other comprehensive income</b>   |                    | <b>378</b>   | <b>(663)</b> |
| <b>Total comprehensive income</b>   |                    | <b>4,070</b> | <b>433</b>   |
|   |                    |              |              |
| Of which attributed to Rabobank   |                    | 3,271        | 193          |
| Of which attributed to Rabobank Certificates  |                    | 509          | -            |
| Of which attributed to Capital Securities issued by Rabobank  |                    | 177          | 233          |
| Of which attributed to non-controlling interests  |                    | 113          | 7            |
| <b>Total comprehensive income</b>   |                    | <b>4,070</b> | <b>433</b>   |

# Consolidated Statement of Changes in Equity

| <i>Consolidated Statement of Changes in Equity</i> |                    |                                       |  |                                  |               |
|--|--------------------|---------------------------------------|--|----------------------------------|---------------|
| <i>Amounts in millions of euros</i>                | <i>Note</i>        | <i>Reserves and retained earnings</i> | <i>Equity instruments issued by Rabobank</i> | <i>Non-controlling interests</i> | <i>Total</i>  |
| <b>Balance on January 1, 2021</b>                  |                    | <b>27,852</b>                         | <b>12,304</b>                                | <b>476</b>                       | <b>40,632</b> |
| Net profit for the year                            |                    | 3,596                                 | -  | 96                               | 3,692         |
| Other comprehensive income                         | <a href="#">30</a> | 361                                   | -  | 17                               | 378           |
| <b>Total comprehensive income</b>                  |                    | <b>3,957</b>                          | <b>-</b>                                     | <b>113</b>                       | <b>4,070</b>  |
| Payments on Rabobank Certificates                  |                    | (509)                                 | -  | -                                | (509)         |
| Payments on Capital Securities issued by Rabobank  |                    | (178)                                 | -  | -                                | (178)         |
| Redemption of Capital Securities                   | <a href="#">32</a> | (27)                                  | (1,282)                                      | -                                | (1,309)       |
| Issue of Capital Securities                        | <a href="#">32</a> | -                                     | 750  | -                                | 750           |
| Cost of issue of Capital Securities                |                    | -                                     | (4)  | -                                | (4)           |
| Other  |                    | 2                                     | 35   | (87)                             | (50)          |
| <b>Balance on December 31, 2021</b>                |                    | <b>31,097</b>                         | <b>11,803</b>                                | <b>502</b>                       | <b>43,402</b> |
| <b>Balance on January 1, 2020</b>                  |                    | <b>28,157</b>                         | <b>12,713</b>                                | <b>477</b>                       | <b>41,347</b> |
| Net profit for the year                            |                    | 1,055                                 | -  | 41                               | 1,096         |
| Other comprehensive income                         | <a href="#">30</a> | (629)                                 | -  | (34)                             | (663)         |
| <b>Total comprehensive income</b>                  |                    | <b>426</b>                            | <b>-</b>                                     | <b>7</b>                         | <b>433</b>    |
| Payments on Capital Securities issued by Rabobank  |                    | (234)                                 | -  | -                                | (234)         |
| Redemption of Capital Securities                   | <a href="#">32</a> | (120)                                 | (1,760)                                      | -                                | (1,880)       |
| Issue of Capital Securities                        | <a href="#">32</a> | -                                     | 1,000  | -                                | 1,000         |
| Cost of issue of Capital Securities                |                    | -                                     | (5)  | -                                | (5)           |
| Distribution in the form of Rabobank Certificates  | <a href="#">31</a> | (376)                                 | 376  | -                                | -             |
| Other  |                    | (1)                                   | (20)   | (8)                              | (29)          |
| <b>Balance on December 31, 2020</b>                |                    | <b>27,852</b>                         | <b>12,304</b>                                | <b>476</b>                       | <b>40,632</b> |

# Consolidated Statement of Cash Flows

## Consolidated Statement of Cash Flows

|   |           | For the year ended December 31 |               |
|---|-----------|--------------------------------|---------------|
| Amounts in millions of euros  | Note      | 2021                           | 2020          |
| <b>Cash flows from operating activities</b>   |           |                                |               |
| Operating profit before tax   |           | 4,877                          | 1,496         |
| Adjusted for:   |           |                                |               |
| <i>Non-cash items recognised in operating profit before tax</i>   |           |                                |               |
| Depreciation and amortization   | 44        | 352                            | 395           |
| Depreciation of operating lease assets and investment properties  | 16, 17    | 723                            | 735           |
| Impairment charges on financial assets  | 44        | (474)                          | 1,913         |
| (Reversal) Impairment losses on property and equipment  | 15        | (8)                            | 122           |
| (Reversal) Impairment losses on other intangible assets   | 14        | 61                             | 10            |
| Impairment on goodwill and investments in associates  | 13, 14    | -                              | 283           |
| Gains/ (losses) on disposal of property and equipment   |           | 34                             | 20            |
| Income from investments in associates and joint ventures  | 38        | (334)                          | (188)         |
| Income from disposal of subsidiaries  |           | (8)                            | (19)          |
| Gains/ (losses) on financial assets and liabilities at fair value through profit or loss                  | 39        | (676)                          | 13            |
| Gains/ (losses) on derecognition of debt instruments at fair value through other comprehensive income     | 40        | (136)                          | (126)         |
| Gains/ (losses) arising from the derecognition of financial assets measured at amortised cost             |           | 3                              | (4)           |
| Provisions  | 25        | 545                            | 114           |
| Capitalised costs self-developed software and other assets  |           | (93)                           | (106)         |
| Loans and advances to and deposits from credit institutions   | 7, 19, 44 | 11,165                         | 43,831        |
| Financial assets held for trading   | 8, 39     | 728                            | (679)         |
| Financial assets mandatorily at fair value  | 9         | (427)                          | (170)         |
| Derivatives   | 10        | 6,667                          | (6,054)       |
| Loans and advances to customers   | 11, 44    | 182                            | 2,515         |
| Acquisition of financial assets at fair value through other comprehensive income                          | 12        | (10,332)                       | (13,079)      |
| Proceeds from the sale and repayment of financial assets at fair value through other comprehensive income | 12        | 12,608                         | 10,654        |
| Acquisition of operational lease assets   | 15        | (1,119)                        | (1,071)       |
| Proceeds from the disposal of operational lease assets  | 15        | 378                            | 353           |
| Dividends received from associates and financial assets   | 13        | 89                             | 58            |
| Deposits from customers   | 20        | 11,003                         | 22,492        |
| Financial liabilities held for trading  | 22        | 421                            | 599           |
| Financial liabilities designated at fair value  | 23        | (1,357)                        | (1,153)       |
| Derivatives   | 10        | (9,691)                        | 4,328         |
| Other liabilities   | 24        | (224)                          | (188)         |
| Income tax paid   |           | (649)                          | (329)         |
| Other changes   |           | (745)                          | (3,908)       |
| <b>Net cash flow from/ (used in) operating activities</b>   |           | <b>23,563</b>                  | <b>62,857</b> |
| <b>Cash flows from investing activities</b>   |           |                                |               |
| Acquisition of investments in associates  | 13        | (52)                           | (43)          |
| Proceeds from disposal of investments in associates   | 13        | 214                            | 31            |
| Proceeds from disposal of subsidiaries net of cash and cash equivalents                                   |           | -                              | -             |
| Acquisition of property, equipment and investment properties  | 15, 16    | (67)                           | (129)         |

| Amounts in millions of euros   | Note                   | For the year ended December 31 |                 |
|--|------------------------|--------------------------------|-----------------|
|  |                        | 2021                           | 2020            |
| Proceeds from the disposal of property, equipment and investment properties              | <a href="#">15, 16</a> | 46                             | 20              |
| <b>Net cash flow from/ (used in) investing activities</b>                                |                        | <b>141</b>                     | <b>(121)</b>    |
| <b>Cash flows from financing activities</b>  |                        |                                |                 |
| Proceeds from debt securities in issue   | <a href="#">21, 34</a> | 38,599                         | 29,913          |
| Redemption of debt securities in issue   | <a href="#">21, 34</a> | (45,636)                       | (43,432)        |
| Proceeds from the issue of subordinated liabilities                                      | <a href="#">34</a>     | -                              | -               |
| Redemption of subordinated liabilities   | <a href="#">34</a>     | (4,288)                        | (1,511)         |
| Purchase of Rabobank Certificates  | <a href="#">31</a>     | (101)                          | (1,267)         |
| Sale of Rabobank Certificates  | <a href="#">31</a>     | 104                            | 1,264           |
| Issue of Capital Securities (including cost of issue)                                    |                        | 746                            | 995             |
| Payments on Rabobank Certificates and Capital Securities                                 |                        | (687)                          | (234)           |
| Payments on Senior Contingent Notes  |                        | -                              | (77)            |
| Redemption of Capital Securities   | <a href="#">32</a>     | (1,309)                        | (1,880)         |
| <b>Net cash flow from/ (used in) financing activities</b>                                |                        | <b>(12,572)</b>                | <b>(16,229)</b> |
| <b>Net change in cash and cash equivalents</b>   |                        | <b>11,132</b>                  | <b>46,507</b>   |
| Cash and cash equivalents at the beginning of the year                                   |                        | 108,466                        | 63,086          |
| Exchange rate differences on cash and cash equivalents                                   |                        | 935                            | (1,127)         |
| Cash and cash equivalents at the end of the year   |                        | 120,533                        | 108,466         |
| The cash flows from interest are included in the net cash flow from operating activities |                        |                                |                 |
| Interest received  |                        | 11,819                         | 13,324          |
| Interest paid  |                        | (4,451)                        | (5,492)         |

# 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 Property Development. 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. is a cooperation and has its registered seat in Amsterdam and registered office at Croeselaan 18, 3521 CB in Utrecht, The Netherlands. Coöperatieve Rabobank U.A. is registered under Chamber of Commerce number 30046259 and its principal place of business is the Netherlands. The name of the ultimate parent of the group is Coöperatieve Rabobank U.A..

## 2. Accounting Policies

### 2.1 Basis of Preparation

Rabobank's Consolidated Financial Statements 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 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. The implementation of these amendments did not affect profit or equity since the relief intends to prevent an accounting effect on profit or equity of changes in contractual cash flows of financial assets, financial liabilities, lease liabilities, or hedging relationships as a result of the benchmark rate replacement.

#### ***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.

### ***Amendments to IFRS 16 Leases: Covid-19- Related Rent Concessions beyond 30 June 2021***

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. In March 2021, the IASB proposed an amendment to IFRS 16 to extend the availability of the practical expedient in paragraph 46A so that it applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. As a lessee, Rabobank has not obtained any lease concessions due to Covid-19. As such, this amendment 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***

Amendments have been made to IFRS 3, IAS 16, IAS 37 and the Annual Improvements 2018-2020 which will be effective for annual periods beginning on or after January 1, 2022.

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.

### ***New Standards Issued by the International Accounting Standards Board (IASB) but not yet Endorsed by the European Union***

#### ***IFRS 17 Insurance Contracts***

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 BV. Rabobank is currently assessing the impact on its own financial statements.

### ***Other Amendments to IFRS***

Minor amendments have been made to IAS 1, IAS 8 and IAS 12 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, the disclosure of accounting policies, the definition of accounting estimates, and deferred tax related to assets and liabilities arising from a single transaction. 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.

### ***Reclassification and Change in Presentation***

#### ***Reclassification in the Consolidated Statement of Income of 2020***

Part of the result of some derivatives used in a hedge relationship have historically been presented as part of the line item 'Gains/ (losses) on financial assets and liabilities at fair value through profit or loss'. This is inconsistent with how the results on derivatives held as economic hedge are usually treated. In order to align this, these results have been reclassified to interest expense. The effect is:

The line items 'Interest expense' and 'Net interest income' have been adjusted. Net interest income has been decreased by EUR 187 million and the line item 'Gains/ (losses) on financial assets and liabilities at fair value through profit or loss' has been increased by the same amount. Prior year balances have been reclassified to ensure presentation on a comparable basis. This adjustment has no effect on total income nor equity.

#### ***Change in presentation***

In 2020 Rabobank presented separately on the face of the Consolidated Statement of Financial Position the line item "Financial assets designated at fair value". This line item is no longer presented separately in 2021 as the amount is zero as per December 31, 2021. The 2020 amount was EUR 1 million and has moved to "Other assets".

### ***Going Concern***

The Managing Board considers it appropriate to adopt the going concern basis of accounting in preparing these financial statements. This is based on Rabobank's medium-term planning (MTP) and budget process 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 affects 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.

#### Impairment Allowances on Financial Assets

Rabobank applies three-stage expected credit loss impairment models for measuring and recognizing expected credit losses which involve management judgment. 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. On top of the model-outcomes in certain circumstances Rabobank applies Top Level Adjustments (TLAs) to adjust for elements that are not captured in the IFRS-9 models. These TLAs often requires a significant degree of management judgment. These TLAs are described in this section. Further information regarding the model based impairment allowances is included in Section 4.3.6 "Judgments 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.

#### TLA Covid-19 Impact

The severe impact of the Covid-19 pandemic on society in large parts of the world is gradually coming to an end now that the Omicron variant is spreading with milder symptoms than previous variants. The main markets of Rabobank are in a phase of recovery and going back to a more normal situation. The macro-economic expectations are positive and this translates into lower stage 1 and stage 2 impairment allowances. The impact of the Covid-19 crisis in the Netherlands has been milder than in many other countries.

Due to government support in past two years to Rabobank's business clients, there is still no increase in clients facing (re-)payment difficulties. Rabobank however expects an increased inflow in stage 3 after government support ends. The impact of Covid-19 pandemic, the related containment and support measures of the government translate into a high level of uncertainty surrounding the expected credit losses of Rabobank.

Management assumes a significant increase in credit risk for business loans exposures in certain sectors that are hit hard by the government restrictions to contain the virus and for which the pandemic has lasting negative effects on future business. All sectors worldwide (over 30) where Rabobank has an exposure, have been analyzed on the impact of Covid-19 to determine the relative strength and outlook of subsectors within the broad sector grouping. The goal of this analysis was to identify vulnerable sectors. Vulnerable sector exposures are considered to have a significant increase in credit risk and are placed in its entirety in stage 2 (recognizing a lifetime expected credit loss). Of our total private sector loan portfolio, 2.3% (2020: 3.7%) was considered vulnerable at December 31, 2021. Rabobank expects defaults (predominately in these vulnerable sectors) to occur after ending of the government support. This support delayed to a certain extent the direct financial impact of the Covid-19 restrictions for most of Rabobank's business clients. As a result the bankruptcies have been very low in the Netherlands. The expected delayed defaults in the vulnerable sectors will have also a negative impact on the other sectors. For this reason, management has judged that for all business loans the IFRS 9 ECL model outcome did not appropriately reflect the increase in expected credit losses. Therefore a total Covid-19 TLA of EUR 500 million (December 31, 2020: EUR 681 million) was deemed necessary.

#### TLA Interest Only Mortgages

Within the well-performing residential mortgage portfolio in the Netherlands, 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). Since a few years Rabobank approaches these customers individually to make them aware of this risk and to seek possibilities to prevent possible problems in the future. To a certain extent, the current very low interest rate on savings accounts helps to convince these customers to amortize part of their mortgage. Rabobank has altered the methodology to calculate the TLA for this specific subset of mortgage loans leading to an TLA of EUR 25 million (December 31, 2020 EUR 13 million).

#### TLA climate risk

On December 31, 2021, TLAs for physical risks that are climate related were recognized composing of a TLA for draught in Chile of EUR 2 million (2020: EUR 2 million) and for floods in Australia of EUR 2 million (2020: zero).

#### Other TLAs

On December 31, 2021, a TLA of EUR 105 million (December 31, 2020: EUR 114 million) relates to IFRS 9 model back-test results.

The remainder of the TLAs is in total EUR 278 million (December 31, 2020: EUR 257 million).

#### Classification and measurement of TLTRO-III

Rabobank is participating in the third series of the ECB's TLTRO. 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 special interest period from June 24, 2020 to June 23, 2021, and the additional special interest period from June 24, 2021 to June 23, 2022, and the average interest rate on the deposit facility during the remainder of the life of the respective TLTRO III transaction. Lower interest rates will apply if Rabobank achieves certain predefined lending thresholds. Interest will be settled in arrears on the maturity of each TLTRO III operation or on early repayment.

Rabobank measured the TLTRO III according to IFRS 9 and considers the whole unconditional TLTRO III interest rate as a floating rate in scope of IFRS 9.B5.4.5. The TLTRO III funding was initially recognized at fair value and is subsequently measured at amortized cost and presented as "Deposits from credit institutions." Rabobank achieved the threshold for the conditional special interest bonus in the first quarter of 2021, and revised its estimates of payments and receipts. The conditional special interest rate bonus is considered to be a below market interest rate. On that basis, Rabobank determined that the difference between the value of the TLTRO determined at the market interest rate including the conditional special interest bonus and the value of the TLTRO determined at the market interest rate excluding the conditional special interest bonus is a government grant. Rabobank considers the ECB as a government or similar body for the purpose of applying IAS 20. Please refer to Section 2.32 "Government Grant" for the accounting policy on government grants. For further information on the interest income recognized from the TLTRO III per December 31, 2021, see Section 36 "Net interest income".

#### 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 recognized. 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 "Goodwill and Other Intangible Assets"; the assumptions for investments in associates and joint ventures are set out in Section 14 "Investments in Associates and Joint Ventures".

#### 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

Judgment 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 25 "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 power 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.

A list of principal subsidiaries is included in Section 50 "Principal subsidiaries".

## 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 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 other comprehensive income 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 until 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 in "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 in "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 recognized in "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 (OCI) 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 OCI 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 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 or 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 at fair value through profit or loss and financial assets at fair value through other comprehensive income 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 and sells 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.

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. 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.

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 investments 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 "Tax".

## 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 income 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. Interest on financial liabilities with a negative interest rate are presented as interest income. Interest on financial assets with a negative interest are presented as interest expense.

## 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 recognized 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 and Credit Related Contingent Liabilities

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, deterioration of the PD since origination, vulnerable sectors and forbearance.

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.

### ***Default Definition***

Rabobank's definition of default is fully based on external EU regulation (CRR and EBA). This means that a default is assigned when i) an exposure is more than 90 days materially past due, and ii) Rabobank considers that the obligor is unlikely to pay its credit obligations in full, without recourse by the institution to actions such as realizing security.

### ***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 an 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.

### **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 in "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:

|                                |                 |
|--------------------------------|-----------------|
| <i>Property</i>                |                 |
| - Land                         | Not depreciated |
| - Buildings                    | 25 - 40 years   |
| <i>Equipment</i>               |                 |
| - 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 in "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 included in "Other Administrative Expenses".

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 40 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 falls on Rabobank's account.

## **2.22 Leasing**

### **Rabobank as Lessee**

As a lessee, Rabobank recognizes 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 on 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 is 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 recognized 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 the amount of the obligation can be reliably estimated. 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. See Section 2.16 for the accounting policy of impairment allowances on 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 recognized at fair value and is subsequently classified as deposits from credit institution and measured at amortized cost. Rabobank takes into the account the estimated interest to be received, which depends on benchmarks for net lending. When Rabobank revises its estimates of payments or receipts, it adjusts the carrying amount of the TLTRO to reflect actual and revised estimated cash flows. The carrying amount is then recalculated based on the present value of the estimated future cash flows at the original effective interest rate, with value adjustments recognized in the income statement. The conditional special interest bonus of the TLTRO funding is accounted for under IAS 20, see section 2.1, "Classification and measurement of TLTRO-III".

Own issued debt securities that are repurchased are derecognized, and the difference between the carrying amount and the consideration paid is 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 there is no formal obligation to (re)pay the principal or to pay dividend, the Rabobank Certificates are classified as "Equity". As the payment of distributions is wholly discretionary, the proceeds received and dividends paid on them are recognized directly in equity.

## 2.29 Capital Securities

As there is no formal obligation to (re)pay the principal or to pay dividend, the Capital Securities are classified 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 amount of the impairment allowance and the amount initially recognized less cumulative amortization.

## 2.31 Segmented Information

An operating segment is a component of Rabobank that engages in business activities from which it may earn revenues and incur expenses. The operating segments' 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 discrete financial information is available about them.

## 2.32 Government Grant

Government grants are assistance from the government in the form of transfers of resources to an entity in return for past or future compliance with certain conditions relating to the operating activities of the entity. Government grants will not be recognized until there is reasonable assurance that i) the entity will comply with the conditions attaching to them; and ii) the grants will be received. Rabobank recognizes government grants in profit or loss on a systematic basis over the periods in which the entity recognizes as expenses the related costs for which the grants are intended to compensate. Government grants related to assets shall be presented in the statement of financial position as "Other assets". For more information about the government grant recognition in the TLTRO III, please refer to the Section "Judgments and Estimates".

## 2.33 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 (CRD V)" together constitute the European implementation of the Basel Capital and Liquidity Accord of 2010 which are applied by Rabobank.

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 V/ CRR and reflect the

application of article 104a of the CRR to partly fulfil the pillar 2 requirement with additional tier 1 and tier 2 capital.

#### Minimum Capital Buffer

|                             | CET 1         | AT 1         | Tier 1        | Tier 2       | Overall capital requirement |
|-----------------------------|---------------|--------------|---------------|--------------|-----------------------------|
| 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%                       |
| <b>Total required</b>       | <b>10.00%</b> | <b>1.83%</b> | <b>11.83%</b> | <b>2.44%</b> | <b>14.26%</b>               |

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. On December 31, 2021, Rabobank's capital requirement was EUR 16.9 billion (2020: EUR 16.5 billion). The overall regulatory capital requirement for credit risk, market risk and operational risk increased in 2021. This was mainly caused by higher model add-ons related to TRIM and FX impact. Next to this, the capital requirement increased due to the growth of the loan book, which was fully compensated by improved credit quality of the assets. Rabobank was granted permission to apply the IFRS 9 transitional arrangements. 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 0.9 basis point.

The transitional CRR provisions are reflected in the ratios set out below.

#### Capital Ratios

| Amounts in millions of euros                                   | 2021          | 2020          |
|--|---------------|---------------|
| Retained earnings  | 32,087        | 29,234        |
| Expected dividends   | (1)           | (2)           |
| Rabobank Certificates  | 7,825         | 7,822         |
| Part of non-controlling interest treated as qualifying capital | -             | -             |
| Reserves   | (990)         | (1,382)       |
| Regulatory adjustments   | (2,097)       | (1,080)       |
| Transition guidance  | 22            | 55            |
| <b>Common Equity Tier 1 capital</b>                            | <b>36,846</b> | <b>34,647</b> |
| Capital Securities   | 3,978         | 4,441         |
| Grandfathered instruments                                      | -             | 41            |
| Non-controlling interests                                      | -             | -             |
| Regulatory adjustments   | (99)          | (67)          |
| Transition guidance  | -             | -             |
| <b>Additional Tier 1 capital</b>                               | <b>3,879</b>  | <b>4,415</b>  |
| <b>Tier 1 capital</b>  | <b>40,725</b> | <b>39,062</b> |
| Part of subordinated debt treated as qualifying capital        | 7,356         | 10,816        |
| Non-controlling interests                                      | -             | -             |
| Regulatory adjustments   | (96)          | 33            |
| Transition guidance  | -             | (60)          |
| <b>Tier 2 capital</b>  | <b>7,260</b>  | <b>10,789</b> |
| <b>Qualifying capital</b>                                      | <b>47,985</b> | <b>49,851</b> |
| Risk-weighted assets   | 211,855       | 205,773       |
| Common Equity Tier 1 ratio                                     | 17.4%         | 16.8%         |
| Tier 1 ratio   | 19.2%         | 19.0%         |
| Total capital ratio  | 22.6%         | 24.2%         |
| Equity capital ratio <sup>1</sup>                              | 18.8%         | 18.0%         |

1 The equity/ capital ratio is calculated by comparing the items Retained earnings and Rabobank Certificates to the risk-weighted assets.

The change in the regulatory adjustments primarily relates to the effect of including the total NPL prudential backstop in the regulatory adjustments. Other elements in the regulatory adjustments are 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 which 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 wherever 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. Each type of collateral is addressed separately within the Rabobank policy framework.

The main types of collateral that Rabobank recognizes 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 client's credit quality (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. A minimum rating is required for institutions, insurance undertakings and export credit agencies.

| 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 (CRC Good or Early Warning; formerly known as 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 (CRC Good or Early Warning; formerly known as 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 (CRC Financial Difficulties or Default; formerly known as 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 Country & Financial Institutions Risk. This department is 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 judgment 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) for these credit committees 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 Rabobank applies 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 at least once a year (corporate clients). Where counterparties are assigned a low credit risk classifier (formerly known as 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 2021 to loan impairment allowances is minus 2 basis points. In 2021, the proportion of the private sector lending allocable to the food and agricultural sectors was 25% and the proportion of private sector lending allocable to trade, industry and services was 26%. 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   | 2021           |             | 2020           |             |
|--|----------------|-------------|----------------|-------------|
| <b>Total loans and advances to customers</b>   | <b>436,471</b> |             | <b>436,182</b> |             |
| Of which:  |                |             |                |             |
| Loans to government clients  | 2,001          |             | 2,028          |             |
| Reverse repurchase transactions, securities borrowing agreements and settlement accounts | 13,904         |             | 17,355         |             |
| Hedge accounting adjustment  | 3,408          |             | 7,419          |             |
| <b>Loans to private sector clients</b>   | <b>417,158</b> |             | <b>409,380</b> |             |
| <i>This can be broken down geographically as follows:</i>                                |                |             |                |             |
| The Netherlands  | 293,286        | 71%         | 293,739        | 72%         |
| Rest of Europe   | 34,793         | 8%          | 34,027         | 8%          |
| North America  | 41,809         | 10%         | 37,387         | 9%          |
| Latin America  | 13,068         | 3%          | 11,852         | 3%          |
| Asia   | 7,371          | 2%          | 7,456          | 2%          |
| Oceania  | 26,524         | 6%          | 24,483         | 6%          |
| Africa   | 307            | 0%          | 436            | 0%          |
| <b>Total loans to private sector clients</b>   | <b>417,158</b> | <b>100%</b> | <b>409,380</b> | <b>100%</b> |
| <i>Breakdown of loans by business sector</i>   |                |             |                |             |
| Private individuals  | 204,993        | 49%         | 202,947        | 50%         |
| Trade, industry and services (TIS)   | 109,271        | 26%         | 110,968        | 27%         |
| Food & agri  | 102,894        | 25%         | 95,465         | 23%         |
| <b>Total loans to private sector clients</b>   | <b>417,158</b> | <b>100%</b> | <b>409,380</b> | <b>100%</b> |



The loans to private individuals are almost all incorporated in the business segment Domestic Retail Banking and

geographically in the Netherlands<sup>1</sup>. 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          |
|---|-------------------------|---------------|---------------|----------------------|----------------|----------------|
| <b>On December 31, 2021</b>                         |                         |               |               |                      |                |                |
| Manufacturing (Non-F&A)                             | 4,165                   | 5,273         | 2,318         | -                    | -              | 11,756         |
| Electricity, gas, steam and air conditioning supply | 852                     | 4,236         | 106           | -                    | -              | 5,194          |
| Construction  | 2,996                   | 1,223         | 1,755         | 96                   | -              | 6,070          |
| Wholesale and retail trade (Non-F&A)                | 6,585                   | 6,932         | 3,848         | -                    | -              | 17,365         |
| Transportation and storage                          | 3,695                   | 1,510         | 1,579         | -                    | -              | 6,784          |
| Accommodation and food service activities           | 2,633                   | 1,590         | 169           | -                    | -              | 4,392          |
| Information and communication                       | 941                     | 482           | 720           | -                    | -              | 2,143          |
| Financial and insurance activities                  | 4,511                   | 11,921        | 703           | -                    | 91             | 17,226         |
| Real estate activities                              | 13,914                  | 3,923         | 298           | 1                    | -              | 18,136         |
| Professional, scientific and technical activities   | 1,564                   | 365           | 1,178         | -                    | -              | 3,107          |
| Administrative and support service activities       | 1,758                   | 1,328         | 2,694         | -                    | -              | 5,780          |
| Education   | 133                     | 8             | 540           | -                    | -              | 681            |
| Human health and social work activities             | 3,186                   | 10            | 2,971         | -                    | -              | 6,167          |
| Arts, entertainment and recreation                  | 745                     | 172           | 377           | -                    | -              | 1,294          |
| Other Non F&A                                       | 519                     | 1,404         | 1,253         | -                    | -              | 3,176          |
| <b>Total</b>  | <b>48,197</b>           | <b>40,377</b> | <b>20,509</b> | <b>97</b>            | <b>91</b>      | <b>109,271</b> |

| Amounts in millions of euros                        | Domestic Retail Banking | W&R           | Leasing       | Property Development | Other Segments | Total          |
|---|-------------------------|---------------|---------------|----------------------|----------------|----------------|
| <b>On December 31, 2020</b>                         |                         |               |               |                      |                |                |
| Manufacturing (Non-F&A)                             | 4,297                   | 5,848         | 2,116         | -                    | -              | 12,261         |
| Electricity, gas, steam and air conditioning supply | 700                     | 3,555         | 117           | -                    | -              | 4,372          |
| Construction  | 3,102                   | 1,126         | 1,569         | 118                  | -              | 5,915          |
| Wholesale and retail trade (Non-F&A)                | 7,059                   | 5,868         | 3,810         | -                    | -              | 16,737         |
| Transportation and storage                          | 3,897                   | 1,265         | 1,652         | -                    | -              | 6,814          |
| Accommodation and food service activities           | 2,878                   | 1,880         | 180           | -                    | -              | 4,938          |
| Information and communication                       | 1,002                   | 611           | 806           | -                    | -              | 2,419          |
| Financial and insurance activities                  | 2,753                   | 16,696        | 668           | -                    | 199            | 20,316         |
| Real estate activities                              | 11,322                  | 3,914         | 283           | 1                    | -              | 15,520         |
| Professional, scientific and technical activities   | 1,664                   | 323           | 1,116         | -                    | -              | 3,103          |
| Administrative and support service activities       | 1,894                   | 947           | 2,635         | -                    | -              | 5,476          |
| Education   | 172                     | 10            | 486           | -                    | -              | 668            |
| Human health and social work activities             | 3,140                   | 32            | 2,770         | -                    | -              | 5,942          |
| Arts, entertainment and recreation                  | 850                     | 264           | 381           | -                    | -              | 1,495          |
| Other Non F&A                                       | 2,569                   | 1,278         | 1,145         | -                    | -              | 4,992          |
| <b>Total</b>  | <b>47,299</b>           | <b>43,617</b> | <b>19,734</b> | <b>119</b>           | <b>199</b>     | <b>110,968</b> |

<sup>1</sup> As of 2021, loans to sole proprietorships are classified as private individuals. The comparative figures have been adjusted accordingly.

### Food & Agri Loan Portfolio Analyzed by Business Sector

| Amounts in millions of euros | Domestic Retail Banking | W&R           | Leasing       | Property Development | Other Segments | Total          |
|------------------------------|-------------------------|---------------|---------------|----------------------|----------------|----------------|
| <b>On December 31, 2021</b>  |                         |               |               |                      |                |                |
| Commodities                  | 3,710                   | 19,163        | 4,058         | -                    | -              | 26,931         |
| Animal Protein               | 3,586                   | 15,142        | 2,135         | -                    | -              | 20,863         |
| Beverages                    | 62                      | 3,235         | 162           | -                    | -              | 3,459          |
| Consumer Foods               | 1,816                   | 7,929         | 384           | -                    | -              | 10,129         |
| Dairy                        | 8,193                   | 10,872        | 1,118         | -                    | -              | 20,183         |
| Farm Inputs                  | 1,139                   | 6,027         | 2,685         | -                    | -              | 9,851          |
| Fresh Produce                | 3,871                   | 4,965         | 1,851         | -                    | -              | 10,687         |
| Other F&A                    | 14                      | 342           | 434           | -                    | -              | 791            |
| <b>Total</b>                 | <b>22,391</b>           | <b>67,675</b> | <b>12,828</b> | <b>-</b>             | <b>-</b>       | <b>102,894</b> |

| Amounts in millions of euros | Domestic Retail Banking | W&R           | Leasing       | Property Development | Other Segments | Total         |
|------------------------------|-------------------------|---------------|---------------|----------------------|----------------|---------------|
| <b>On December 31, 2020</b>  |                         |               |               |                      |                |               |
| Commodities                  | 3,619                   | 18,616        | 3,346         | -                    | -              | 25,581        |
| Animal Protein               | 3,681                   | 13,697        | 1,942         | -                    | -              | 19,320        |
| Beverages                    | 66                      | 2,739         | 169           | -                    | -              | 2,974         |
| Consumer Foods               | 1,774                   | 6,674         | 369           | -                    | -              | 8,817         |
| Dairy                        | 8,322                   | 9,817         | 915           | -                    | -              | 19,054        |
| Farm Inputs                  | 1,051                   | 5,383         | 2,668         | -                    | -              | 9,102         |
| Fresh Produce                | 4,040                   | 4,297         | 1,515         | -                    | -              | 9,852         |
| Other F&A                    | 23                      | 332           | 410           | -                    | -              | 765           |
| <b>Total</b>                 | <b>22,576</b>           | <b>61,555</b> | <b>11,334</b> | <b>-</b>             | <b>-</b>       | <b>95,465</b> |

### 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 fulfill their obligations to these third parties, are exposed to credit risk. Rabobank provides documentary and commercial letters of credit and written undertakings 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 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 is likely to result 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

|                     | 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)         | 160                     | -                       | -                       | 160           |
| R2-R4 (AA)          | 274                     | -                       | -                       | 274           |
| R5-R7 (A)           | 16,646                  | 35                      | -                       | 16,681        |
| R8-R10 (BBB)        | 3,204                   | -                       | -                       | 3,204         |
| R11-R13 (BB)        | 1,077                   | 1                       | -                       | 1,078         |
| R14-R16 (B+)        | 228                     | 4                       | -                       | 232           |
| R17-R19 (B-)        | 168                     | 2                       | -                       | 170           |
| R20 (CCC+)          | -                       | 1                       | -                       | 1             |
| Default ratings (D) | -                       | -                       | 1                       | 1             |
| Non-rated           | 267                     | -                       | -                       | 267           |
| <b>Total</b>        | <b>22,024</b>           | <b>43</b>               | <b>1</b>                | <b>22,068</b> |

On December 31, 2020

|                     |               |          |          |               |
|---------------------|---------------|----------|----------|---------------|
| 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           |
| <b>Total</b>        | <b>21,379</b> | <b>5</b> | <b>-</b> | <b>21,384</b> |

#### *Credit Risk Profile per Internal Rating Grade 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          |
| R0-R1 (AAA)         | 858                     | 27                      | -                       | 885            |
| R2-R4 (AA)          | 9,387                   | 23                      | -                       | 9,410          |
| R5-R7 (A)           | 75,473                  | 476                     | -                       | 75,949         |
| R8-R10 (BBB)        | 136,050                 | 2,380                   | -                       | 138,430        |
| R11-R13 (BB)        | 106,428                 | 6,722                   | -                       | 113,150        |
| R14-R16 (B+)        | 56,010                  | 9,832                   | -                       | 65,842         |
| R17-R19 (B-)        | 10,109                  | 7,844                   | -                       | 17,953         |
| R20 (CCC+)          | 192                     | 1,974                   | -                       | 2,166          |
| Default ratings (D) | -                       | -                       | 9,118                   | 9,118          |
| Non-rated           | 3,652                   | 5                       | -                       | 3,657          |
| <b>Total</b>        | <b>398,159</b>          | <b>29,283</b>           | <b>9,118</b>            | <b>436,560</b> |

On December 31, 2020

|                     |                |               |               |                |
|---------------------|----------------|---------------|---------------|----------------|
| 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          |
| <b>Total</b>        | <b>385,745</b> | <b>34,211</b> | <b>13,507</b> | <b>433,463</b> |

### Credit Risk Profile per External Rating Grade of Financial Assets at Fair Value through Other Comprehensive Income

Amounts in millions of euros

| On December<br>31, 2021 | Gross carrying amount   |                         |                         |               |
|-------------------------|-------------------------|-------------------------|-------------------------|---------------|
|                         | Non credit-impaired     |                         | Credit-impaired         |               |
|                         | Subject to 12-month ECL | Subject to lifetime ECL | Subject to lifetime ECL | Total         |
| AAA-A                   | 12,714                  | -                       | -                       | 12,714        |
| BBB-B                   | 452                     | -                       | -                       | 452           |
| CCC-C                   | -                       | -                       | -                       | -             |
| D                       | -                       | -                       | -                       | -             |
| Non-rated               | 202                     | -                       | -                       | 202           |
| <b>Total</b>            | <b>13,368</b>           | <b>-</b>                | <b>-</b>                | <b>13,368</b> |

| On December<br>31, 2020 |               |            |          |               |
|-------------------------|---------------|------------|----------|---------------|
| AAA-A                   | 14,358        | 175        | -        | 14,533        |
| BBB-B                   | 396           | -          | -        | 396           |
| CCC-C                   | -             | -          | -        | -             |
| D                       | -             | -          | -        | -             |
| Non-rated               | 230           | -          | -        | 230           |
| <b>Total</b>            | <b>14,984</b> | <b>175</b> | <b>-</b> | <b>15,159</b> |

### Credit Risk Profile per Internal Rating Grade of Loan Commitments and Financial Guarantees

Amounts in millions of euros

| On December 31, 2021 | 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)          | 2,013                   | -                       | -                       | 2,013         |
| R2-R4 (AA)           | 1,922                   | 1                       | -                       | 1,923         |
| R5-R7 (A)            | 12,845                  | 27                      | -                       | 12,872        |
| R8-R10 (BBB)         | 21,629                  | 272                     | -                       | 21,901        |
| R11-R13 (BB)         | 16,423                  | 806                     | -                       | 17,229        |
| R14-R16 (B+)         | 6,685                   | 1,095                   | -                       | 7,780         |
| R17-R19 (B-)         | 431                     | 717                     | -                       | 1,148         |
| R20 (CCC+)           | 11                      | 60                      | -                       | 71            |
| Default ratings (D)  | -                       | -                       | 481                     | 481           |
| Non-rated            | 12,675                  | -                       | -                       | 12,675        |
| <b>Total</b>         | <b>74,634</b>           | <b>2,978</b>            | <b>481</b>              | <b>78,093</b> |

| On December 31, 2020 |               |              |            |               |
|----------------------|---------------|--------------|------------|---------------|
| 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        |
| <b>Total</b>         | <b>68,859</b> | <b>3,237</b> | <b>664</b> | <b>72,760</b> |

#### 4.3.4 Impairment Allowances on Financial Assets and Credit Related Contingent Liabilities

The following tables present a reconciliation from the opening balance to the closing balance of the impairment allowances of financial assets and credit related contingent liabilities.

### Impairment Allowances on Loans and Advances to Credit Institutions

Amounts in millions of euros

|  | Subject to<br>12-month<br>ECL | Subject to<br>lifetime ECL<br>non-credit<br>impaired | Subject to<br>lifetime ECL<br>credit<br>impaired | Total    |
|--|-------------------------------|--|--|----------|
| <b>Balance on January 1, 2021</b>            | <b>1</b>                      | <b>-</b>   | <b>-</b>   | <b>1</b> |
| Increases due to origination and acquisition | -                             | -  | -  | -        |
| Decreases due to derecognition               | -                             | -  | -  | -        |
| Changes due to change in credit risk         | 1                             | -  | -  | 1        |
| Write-off of defaulted loans during the year | -                             | -  | -  | -        |
| Other changes                                | -                             | -  | -  | -        |
| <b>Balance on December 31, 2021</b>          | <b>2</b>                      | <b>-</b>   | <b>-</b>   | <b>2</b> |
| <b>Balance on January 1, 2020</b>            | <b>1</b>                      | <b>1</b>   | <b>1</b>   | <b>3</b> |
| 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)      |
| <b>Balance on December 31, 2020</b>          | <b>1</b>                      | <b>-</b>   | <b>-</b>   | <b>1</b> |

### Impairment Allowances on Loans and Advances to Customers

Amounts in millions of euros

|  | Subject to<br>12-month<br>ECL | Subject to<br>lifetime ECL<br>non-credit<br>impaired | Subject to<br>lifetime ECL<br>credit<br>impaired | Total        |
|--|-------------------------------|--|--|--------------|
| <b>Balance on January 1, 2021</b>            | <b>720</b>                    | <b>846</b>   | <b>3,134</b>                                     | <b>4,700</b> |
| Increases due to origination and acquisition | 160                           | 16   | 88   | 264          |
| Decreases due to derecognition               | (68)                          | (76)   | (199)  | (343)        |
| Changes due to change in credit risk         | (460)                         | 90   | (11)   | (381)        |
| Write-off of defaulted loans during the year | (22)                          | (5)  | (778)  | (805)        |
| Other changes                                | 42                            | 19   | 1  | 62           |
| <b>Balance on December 31, 2021</b>          | <b>372</b>                    | <b>890</b>   | <b>2,235</b>                                     | <b>3,497</b> |
| <b>Balance on January 1, 2020</b>            | <b>369</b>                    | <b>346</b>   | <b>3,225</b>                                     | <b>3,940</b> |
| 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)        |
| <b>Balance on December 31, 2020</b>          | <b>720</b>                    | <b>846</b>   | <b>3,134</b>                                     | <b>4,700</b> |

### Impairment Allowances on Financial Assets at Fair Value through Other Comprehensive Income

Amounts in millions of euros

|  | Subject to<br>12-month<br>ECL | Subject to<br>lifetime ECL<br>non-credit<br>impaired | Subject to<br>lifetime ECL<br>credit<br>impaired | Total    |
|--|-------------------------------|--|--|----------|
| <b>Balance on January 1, 2021</b>            | <b>1</b>                      | <b>-</b>   | <b>-</b>   | <b>1</b> |
| Increases due to origination and acquisition | 2                             | -  | -  | 2        |
| Decreases due to derecognition               | -                             | -  | -  | -        |
| Changes due to change in credit risk         | (1)                           | -  | -  | (1)      |
| Write-off of defaulted loans during the year | -                             | -  | -  | -        |
| Other changes                                | -                             | -  | -  | -        |
| <b>Balance on December 31, 2021</b>          | <b>2</b>                      | <b>-</b>   | <b>-</b>   | <b>2</b> |
| <b>Balance on January 1, 2020</b>            | <b>1</b>                      | <b>1</b>   | <b>-</b>   | <b>2</b> |
| 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)      |
| <b>Balance on December 31, 2020</b>          | <b>1</b>                      | <b>-</b>   | <b>-</b>   | <b>1</b> |

### Impairment Allowances on Loan Commitments and Financial Guarantees

Amounts in millions of euros

|  | Subject to<br>12-month<br>ECL | Subject to<br>lifetime ECL<br>non-credit<br>impaired | Subject to<br>lifetime ECL<br>credit<br>impaired | Total      |
|--|-------------------------------|--|--|------------|
| <b>Balance on January 1, 2021</b>            | <b>36</b>                     | <b>18</b>  | <b>88</b>  | <b>142</b> |
| Increases due to origination and acquisition | 4                             | -  | -  | 4          |
| Decreases due to derecognition               | (43)                          | (14)   | (105)  | (162)      |
| Changes due to change in credit risk         | 30                            | 15   | 77   | 122        |
| Write-off of defaulted loans during the year | -                             | -  | -  | -          |
| Other changes                                | 3                             | (3)  | 2  | 2          |
| <b>Balance on December 31, 2021</b>          | <b>30</b>                     | <b>16</b>  | <b>62</b>  | <b>108</b> |
| <b>Balance on January 1, 2020</b>            | <b>31</b>                     | <b>18</b>  | <b>97</b>  | <b>146</b> |
| 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)        |
| <b>Balance on December 31, 2020</b>          | <b>36</b>                     | <b>18</b>  | <b>88</b>  | <b>142</b> |

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

| Amounts in millions<br>of euros                 | Gross carrying amount         |                            |                            |                |
|---|-------------------------------|----------------------------|----------------------------|----------------|
|   | Non-credit-impaired           | Credit-impaired            |                            |                |
|   | Subject to<br>12-month<br>ECL | Subject to<br>lifetime ECL | Subject to<br>lifetime ECL | Total          |
| <b>Balance on January<br/>1, 2021</b>           | <b>385,745</b>                | <b>34,211</b>              | <b>13,507</b>              | <b>433,463</b> |
| Transfers of<br>financial assets                | (4,524)                       | 4,778                      | (254)                      | -              |
| New financial assets<br>originated or acquired  | 137,396                       | 2,627                      | 741                        | 140,764        |
| Financial assets that have<br>been derecognized | (126,128)                     | (12,904)                   | (4,130)                    | (143,162)      |
| Write-offs                                      | (23)                          | (1)                        | (840)                      | (864)          |
| Other changes                                   | 5,693                         | 572                        | 94                         | 6,359          |
| <b>Balance on December<br/>31, 2021</b>         | <b>398,159</b>                | <b>29,283</b>              | <b>9,118</b>               | <b>436,560</b> |
| <b>Balance on January<br/>1, 2020</b>           | <b>401,996</b>                | <b>20,417</b>              | <b>15,090</b>              | <b>437,503</b> |
| Transfers of<br>financial assets                | (24,181)                      | 22,983                     | 1,198                      | -              |
| New financial assets<br>originated or acquired  | 128,983                       | 3,154                      | 2,061                      | 134,198        |
| Financial assets that have<br>been derecognized | (112,600)                     | (11,645)                   | (3,337)                    | (127,582)      |
| Write-offs                                      | (14)                          | (4)                        | (924)                      | (942)          |
| Other changes                                   | (8,439)                       | (694)                      | (581)                      | (9,714)        |
| <b>Balance on December<br/>31, 2020</b>         | <b>385,745</b>                | <b>34,211</b>              | <b>13,507</b>              | <b>433,463</b> |

#### 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 in combination with an absolute threshold are considered to be indicators for a significant increase in credit risk. The comparison between the lifetime PD at origination and the lifetime PD at reporting date is done by translating both the rating at the start of the financial instrument and the rating at reporting date into (point-in-time) PD curves. This threshold is 1.6 and represents the multiplier by which the lifetime PD needs to be increased to migrate from stage 1 to stage 2. In addition, an absolute delta PD of 3% should be reached as a minimum to migrate from stage 1 to stage 2. The thresholds are the same for all frameworks.

#### 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 judgment. 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 judgment resulting in top level adjustments for those described in Section 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, an analysis was run, which assumed all assets were below the PD thresholds and apportioned a 12 month ECL. On the same asset base, an analysis was run which assumed all assets were above the PD thresholds 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 517 million (2020: 912 million) and EUR 1,990 million (2020: 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). Rabobank uses three, probability-weighted, macroeconomic scenarios (consisting of a baseline scenario, a baseline minus scenario and a baseline plus scenario) in its ECL models to determine the expected credit losses. The baseline macroeconomic scenario is considered the most likely at a 60% (December 31, 2020: 70%) likelihood, compared to 20% (December 31, 2020: 15%) likelihood for both the minus and the plus scenarios. The adjustments to the likelihood of the scenarios were made in 2021 to reflect increased uncertainty about future macroeconomic outcomes. This is fully attributed to the economic impact of the Covid-19 pandemic.

#### Determination of Plus and Minus Scenarios

Rabobank uses a statistical simulation method from the National Institute Global Econometric Model (NiGEM) to generate its plus and minus scenarios. The procedure for the formulation involves two steps:

1. Application of the stochastic function of NiGEM to run 1,000 scenarios starting in the third quarter where the plus and minus scenarios may differ from the baseline. NiGEM

uses historical residuals (randomly chosen) from the model equations that results in shocks during the forecast period (Monte Carlo simulation). The result is a distribution of possible macroeconomic outcomes. The impact of these scenarios on the volume of world trade is used in step 2.

2. Look up the two scenarios which represent the 20% plus scenarios and the 20% minus scenarios of the distribution.

***Most important Macro-economic Variables***

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 of 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-economic inputs and related ECL pre TLAs

|               |                    |        |        |        |                   | Weighted ECL<br>in millions of euro<br>per | Weighted ECL<br>in millions of euro<br>per |
|---------------|--------------------|--------|--------|--------|-------------------|--|--|
|               |                    |        |        |        |                   | December 31,<br>2021                       | December 31,<br>2020                       |
| Netherlands   |                    | 2022   | 2023   | 2024   | ECL<br>unweighted | Probability                                |  |
| Plus          | GDP per capita     | 3.99%  | 1.98%  | 0.07%  |                   |  |  |
|               | Unemployment       | 2.83%  | 2.57%  | 2.60%  | 308               | 20%  |  |
|               | Real Interest Rate | -0.17% | 1.89%  | 0.08%  |                   |  |  |
| Baseline      | GDP per capita     | 2.67%  | 1.46%  | 1.14%  |                   |  |  |
|               | Unemployment       | 3.13%  | 3.33%  | 3.52%  | 345               | 60%  | 355 383                                    |
|               | Real Interest Rate | -0.42% | 1.52%  | 0.14%  |                   |  |  |
| Minus         | GDP per capita     | 0.20%  | 0.28%  | 3.07%  |                   |  |  |
|               | Unemployment       | 3.60%  | 4.57%  | 5.05%  | 434               | 20%  |  |
|               | Real Interest Rate | -0.88% | 0.82%  | 0.29%  |                   |  |  |
| United States |                    | 2022   | 2023   | 2024   | ECL<br>unweighted | Probability                                |  |
| Plus          | GDP per capita     | 2.45%  | 2.56%  | 1.27%  |                   |  |  |
|               | Unemployment       | 4.07%  | 3.21%  | 2.53%  | 95                | 20%  |  |
|               | Real Interest Rate | 0.27%  | 2.84%  | 0.51%  |                   |  |  |
| Baseline      | GDP per capita     | 1.48%  | 1.65%  | 1.60%  |                   |  |  |
|               | Unemployment       | 4.38%  | 4.00%  | 3.50%  | 109               | 60%  | 112 149                                    |
|               | Real Interest Rate | 0.01%  | 2.44%  | 0.50%  |                   |  |  |
| Minus         | GDP per capita     | -0.34% | -0.30% | 1.99%  |                   |  |  |
|               | Unemployment       | 4.79%  | 5.09%  | 4.85%  | 139               | 20%  |  |
|               | Real Interest Rate | -0.47% | 1.62%  | 0.45%  |                   |  |  |
| Brazil        |                    | 2022   | 2023   | 2024   | ECL<br>unweighted | Probability                                |  |
| Plus          | GDP per capita     | 0.82%  | 0.83%  | 0.69%  |                   |  |  |
|               | Unemployment       | 7.37%  | 6.05%  | 4.99%  | 36                | 20%  |  |
|               | Real Interest Rate | 5.50%  | 3.55%  | -1.03% |                   |  |  |
| Baseline      | GDP per capita     | -0.07% | 0.50%  | 1.22%  |                   |  |  |
|               | Unemployment       | 7.84%  | 7.26%  | 6.49%  | 40                | 60%  | 40 68                                      |
|               | Real Interest Rate | 5.26%  | 3.12%  | -1.27% |                   |  |  |
| Minus         | GDP per capita     | -1.69% | -0.22% | 2.10%  |                   |  |  |
|               | Unemployment       | 8.48%  | 8.94%  | 8.57%  | 46                | 20%  |  |
|               | Real Interest Rate | 4.81%  | 2.33%  | -1.69% |                   |  |  |
| Australia     |                    | 2022   | 2023   | 2024   | ECL<br>unweighted | Probability                                |  |
| Plus          | GDP per capita     | 3.57%  | 2.18%  | 0.91%  |                   |  |  |
|               | Unemployment       | 4.04%  | 2.96%  | 2.80%  | 14                | 20%  |  |
|               | Real Interest Rate | -0.37% | 1.21%  | 0.68%  |                   |  |  |
| Baseline      | GDP per capita     | 2.90%  | 1.60%  | 1.16%  |                   |  |  |
|               | Unemployment       | 4.48%  | 4.10%  | 4.20%  | 16                | 60%  | 17 17                                      |
|               | Real Interest Rate | -0.67% | 0.61%  | 0.57%  |                   |  |  |
| Minus         | GDP per capita     | 1.74%  | 0.51%  | 1.51%  |                   |  |  |
|               | Unemployment       | 5.10%  | 5.73%  | 6.20%  | 21                | 20%  |  |
|               | Real Interest Rate | -1.18% | -0.45% | 0.37%  |                   |  |  |

A probability weighting of 15% (2020: 10%) for both the minus and plus scenario and a probability weighting of 70% (2020: 80%) for the baseline scenario, would decrease the total weighted ECL for stage 1 and 2 exposures by EUR 4 million (2020: EUR 4 million). The adjustments to the likelihood of the scenarios were made in 2021 to reflect increased uncertainty about future macroeconomic outcomes. This can be fully attributed to the economic impact of the Covid-19 pandemic. If the probability weighting for both the minus and plus scenario was 25% (2020: 20%) and 50% (2020: 60%) for the baseline scenario, it would increase the total weighted ECL for stage 1 and 2 exposures by EUR 5 million (2020: EUR 4 million).

#### *Gross carrying amount of loans to customers in stage 1 and stage 2*

| <i>Amounts in millions of euros</i> | <i>2021</i> | <i>2020</i> |
|-------------------------------------|-------------|-------------|
| Netherlands                         | 291,336     | 289,076     |
| United States                       | 42,326      | 40,246      |
| Brazil                              | 8,078       | 7,124       |
| Australia                           | 17,483      | 15,812      |

#### **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 judgments and estimates. The inputs also require estimates as follows:

- 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.

| <i>Impact on ECL</i>                   | <i>2021</i> | <i>2020</i> |
|--|-------------|-------------|
| PD rating 1 notch deterioration (PD)   | 273         | 333         |
| PD rating 1 notch improved (PD)        | (192)       | (241)       |
| Collateral value down by 10 % (LGD)    | 77          | 105         |
| Collateral value up by 10% (LGD)       | (60)        | (80)        |
| Full prepayment rate down by 50% (EAD) | 42          | 32          |
| Full prepayment rate up by 50% (EAD)   | (37)        | (28)        |

#### **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 Section 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 expiration 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, but which both limit credit risk<sup>1</sup>.

<sup>1</sup> Comparative figures for the derivatives have been adjusted mainly because uncapped collateral amounts were used instead of capped collateral amounts.

### Offsetting of Financial Instruments

|   | Offset in the statement of financial position |                   |                     | Not offset in the statement of financial position |                                |                               |                  |                      | Net exposure   |
|---|---|-------------------|---------------------|---|--------------------------------|-------------------------------|------------------|----------------------|----------------|
| Amounts in millions of euros              | Amount before offsetting                      | IAS 32 Offsetting | Net carrying amount | Master netting agreements                         | Securities and cash collateral | Immovable property collateral | Other collateral | Financial guarantees |                |
| On December 31, 2021                      |   |                   |                     |   |                                |                               |                  |                      |                |
| Loans and advances to credit institutions | 22,065  | -                 | 22,065              | -   | (17,079)                       | -                             | -                | -                    | 4,986          |
| Derivatives                               | 107,910                                       | (84,939)          | 22,971              | (10,770)  | (8,331)                        | -                             | -                | -                    | 3,870          |
| Loans and advances to customers           | 440,185                                       | (3,714)           | 436,471             | -   | (13,964)                       | (257,452)                     | (87,108)         | (37,634)             | 40,313         |
| Other assets                              | 10,215  | (49)              | 10,166              | -   | -                              | -                             | -                | -                    | 10,166         |
| <b>Total</b>                              | <b>580,375</b>                                | <b>(88,702)</b>   | <b>491,673</b>      | <b>(10,770)</b>                                   | <b>(39,374)</b>                | <b>(257,452)</b>              | <b>(87,108)</b>  | <b>(37,634)</b>      | <b>59,335</b>  |
|   |   |                   |                     |   |                                |                               |                  |                      |                |
| Deposits from credit institutions         | 73,633  | (625)             | 73,008              | -   | (189)                          | -                             | -                | -                    | 72,819         |
| Deposits from customers                   | 373,543                                       | (1,512)           | 372,031             | -   | (527)                          | -                             | -                | -                    | 371,504        |
| Derivatives                               | 105,226                                       | (86,516)          | 18,710              | (10,770)  | (4,541)                        | -                             | -                | -                    | 3,399          |
| Other liabilities                         | 6,474   | (49)              | 6,425               | -   | -                              | -                             | -                | -                    | 6,425          |
| <b>Total</b>                              | <b>558,876</b>                                | <b>(88,702)</b>   | <b>470,174</b>      | <b>(10,770)</b>                                   | <b>(5,257)</b>                 | <b>-</b>                      | <b>-</b>         | <b>-</b>             | <b>454,147</b> |
|   |   |                   |                     |   |                                |                               |                  |                      |                |
| 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              | (13,799)  | (10,649)                       | -                             | -                | -                    | 5,190          |
| Loans and advances to customers           | 442,964                                       | (6,782)           | 436,182             | -   | (18,097)                       | (238,950)                     | (76,146)         | (35,992)             | 66,997         |
| Other assets                              | 7,756   | (248)             | 7,508               | -   | -                              | -                             | -                | -                    | 7,508          |
| <b>Total</b>                              | <b>613,817</b>                                | <b>(119,106)</b>  | <b>494,711</b>      | <b>(13,799)</b>                                   | <b>(45,036)</b>                | <b>(238,950)</b>              | <b>(76,146)</b>  | <b>(35,992)</b>      | <b>84,788</b>  |
|   |   |                   |                     |   |                                |                               |                  |                      |                |
| 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              | (13,799)  | (13,314)                       | -                             | -                | -                    | 1,289          |
| Other liabilities                         | 6,895   | (248)             | 6,647               | -   | -                              | -                             | -                | -                    | 6,647          |
| <b>Total</b>                              | <b>576,344</b>                                | <b>(119,105)</b>  | <b>457,239</b>      | <b>(13,799)</b>                                   | <b>(14,439)</b>                | <b>-</b>                      | <b>-</b>         | <b>-</b>             | <b>429,001</b> |

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 did not recognise 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 |
|---|--|-----------------------|--|---|
| <b>On December 31, 2021</b>                                       |  |                       |  |   |
| Loans and advances to credit institutions                         | 1  | -                     | 1  | -   |
| Loans and advances to customers                                   | 9,118  | 2,235                 | 6,883  | 4,383   |
| Financial assets at fair value through other comprehensive income | -  | -                     | -  | -   |
| <b>Total</b>  | <b>9,119</b>   | <b>2,235</b>          | <b>6,884</b>   | <b>4,383</b>  |
| <b>On December 31, 2020</b>                                       |  |                       |  |   |
| Loans and advances to credit institutions                         | -  | -                     | -  | -   |
| Loans and advances to customers                                   | 13,507   | 3,134                 | 10,373   | 6,478   |
| Financial assets at fair value through other comprehensive income | -  | -                     | -  | -   |
| <b>Total</b>  | <b>13,507</b>  | <b>3,134</b>          | <b>10,373</b>  | <b>6,478</b>  |

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 |
|--|---------------------------------|---|
| <b>On December 31, 2021</b>                |                                 |   |
| Financial assets held for trading          | 2,305                           | -   |
| Financial assets mandatorily at fair value | 875                             | 154   |
| Derivatives                                | 22,971                          | 8,587   |
| <b>Total</b>                               | <b>26,151</b>                   | <b>8,741</b>  |

#### On December 31, 2020

|  |               |               |
|--|---------------|---------------|
| Financial assets held for trading          | 2,356         | -             |
| Financial assets mandatorily at fair value | 1,208         | 208           |
| Derivatives                                | 29,638        | 10,649        |
| <b>Total</b>                               | <b>33,202</b> | <b>10,857</b> |

#### 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 2021 was EUR 534 million.

Rabobank acquired financial and non-financial assets during the year by taking possession of collateral with an estimated value of EUR 17 million as per December 31, 2021 (2020: zero). 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 forbore 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 December 31, 2021 was EUR 251 million (2020: EUR 102 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                               | 2021       | 2020         |
|--|------------|--------------|
| Amortized cost before modification                         | 455        | 1,043        |
| Net modification gain/ loss                                | (69)       | (3)          |
| <b>Financial assets modified since initial recognition</b> | <b>386</b> | <b>1,040</b> |

### 4.3.9 External Developments potentially affecting Credit Risk

#### Climate Related and ESG Risk (C&E Risk)

The physical consequences (physical risk) of climate change (such as rising average temperatures and extreme weather events) and the transition to a climate-neutral economy (e.g. transition risk) are priorities for Rabobank. That is why Rabobank is committed to the Paris Agreement goals, why Rabobank is signatory to the Net Zero Banking Alliance and why Rabobank considers it a shared responsibility to take action. Rabobank is increasingly aware of the impact of climate change on its business and Rabobank therefore treats climate change and environmental degradation as one of its strategic risks. Next to that, Rabobank can also have impact on climate change through its lending portfolio. Climate related and ESG Risk is a driver for all traditional risks, predominantly credit risk. C&E risks amplify via transition channels, for example macro (e.g. GDP) and micro (e.g. crop losses) impacts. The materiality of C&E risk as a driver for the traditional risks is assessed and part of Rabobank's risk taxonomy. Both physical and transition risks could impact the quality of our credit portfolio, especially our Food and Agriculture and mortgage portfolios. Of the four categories that the Task Force on Climate-related Financial Disclosures (TCFD) distinguished, Rabobank classifies the following four portfolios as the most exposed to climate change risks: (i) energy, (ii) transportation, (iii) materials & building including real estate, and (iv) agriculture, food, and forestry products. Rabobank's current overall exposure to these four industry sectors is roughly 60% of its group exposure at default (EAD). Significant climate-related and environmental related



regulations for banks were issued in 2020 and there are 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 is expected that the ECB will 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, has been taken. To manage C&E risks, a 5-year C&E risk roadmap with 29 deliverables has been designed. For the successful implementation of the roadmap an integrated approach on climate alignment, business strategy and risk management has been developed. In this integrated approach Rabobank leverages its sector approach. The focus of the 5-year roadmap is among other things on measurement (heatmaps, stress testing, scenario analyses, client risk assessments), structural improvement of data, monitoring and reporting. The roadmap aims to create awareness and expertise, and to expand disclosure on C&E risks. The roadmap execution started with the following key deliverables for this year:

- Heatmaps – first edition to identify potential threat climate risk on Rabobank portfolios
- Climate and Environmental risk assessment – first design of assessment on client level
- ECB Climate Risk Stress Test – preparations for the 2022 Stress Test have started
- Sustainability Finance Framework (SFF) – a Minimum Viable Product SFF will be ready including an implementation plan
- Data – an initiative has been set up to prepare for a comprehensive approach to collect and store data on climate and environmental risk. As long as structured climate risk data is not available for a longer period, climate risk cannot be used as an input for Rabobank's ECL models. However, climate risk has impacted the ECLs via a top-level adjustment as disclosed in Section 2.1.
- ESG in the client journey: incorporation of ESG risk drivers in the credit assessment

The implementation of the roadmap is a continuous journey whereby this roadmap will need to undergo annual reassessment with a focus on a risk-based approach. Please refer to the chapter Climate-related Financial Disclosure

where Rabobank's governance, strategy and risk management related to climate change is discussed, in line with the recommendations of the Task Force on Climate-related Financial Disclosures.

Next steps on the heatmaps and concentration analyses are: scenario analyses on the materiality of the risks and assessments on client level. These steps are required to get a better picture of a possible effect (if any) on the expected credit losses for Rabobank.

#### [The future of Dutch agriculture under the new government](#)

In the coalition agreement of the new Dutch government an acceleration of the large transition of the agricultural sector is announced. The Netherlands has to become a global leader in circular agriculture in 2030. This vision entails a paradigm shift from growth in production volumes and cost price reductions towards optimization in resource use and food production in harmony with nature and with a recovery in biodiversity. A Transition Fund of EUR 25 billion, also to be used for the nitrogen issue (see below), should make this possible. A prerequisite is that farmers must be able to earn a decent income in the new situation. At the same time, a new set-up of the Dutch landscape and the place of agriculture therein must be agreed upon. As a large stakeholder Rabobank is actively participating in these very challenging developments for its clients and is continuously assessing their impact on its loan portfolio. Given the government involvement, as of December 31, 2021 no top-level adjustment on the allowances were deemed necessary.

#### [Nitrogen \(PAS\)](#)

On July 1, 2021, the new "Nitrogen Law" came into effect in the Netherlands. Approximately EUR 2 billion will be invested by the Dutch government in the coming years to structurally reduce nitrogen emissions in the most important sectors (agriculture, industry, mobility, and construction). Furthermore, almost EUR 3 billion will be invested in the recovery and strengthening of nature. These investments will make new economic developments possible. Specifically for agriculture there will be grants for farmers who consider switching to more sustainable business models and for those who are considering giving up farming. The government's ultimate goal is that in 2035 at least 74% of so-called Natura 2000 areas will experience acceptable nitrogen depositions. In the coalition agreement of the new Dutch government additional measures are announced to reduce nitrogen emissions more quickly. The ultimate goal of the Nitrogen Law should be reached in 2030 instead of 2035. Rabobank is closely following these developments and their possible impact on its portfolio. Given the current government investments and

grants that ultimately support Rabobank's customers, as of December 31, 2021 no top-level adjustment on the allowances was deemed necessary.

#### PFAS

From mid-2020, restrictions on working with PFAS contaminated soil and dredging spoil were loosened for the construction and dredging sectors. The new measures also take 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 Rabobank's customers. At the same time, the Netherlands and some other E.U. countries are working on a proposal to prohibit all uses of PFAS in the European Union.

## 4.4 Non-Trading Foreign Exchange Rate Risk (FX risk)

FX risk is the risk that exchange rate movements lead to volatility in Rabobank's cash flows, assets and liabilities, net profit and/ or equity. Rabobank 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 and/or maintaining FX positions. As a result of these structural FX positions, the impact of exchange rate fluctuations on Rabobank's Consolidated CET1 ratio is mitigated.

FX translation risk management 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 could be 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 modeling of customer behavior is therefore one of the core elements of the interest rate risk framework. Behavioral models and assumptions are 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, however, is 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 independently from a second line of responsibility.

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 2 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 2021, Rabobank's net interest income was most sensitive to the interest rate down scenario. Earnings at Risk amounted to EUR -33 million on December 31, 2021, less negative than the Earnings at Risk on December 31, 2020 (EUR -74 million). This was mainly driven by changes in the composition of the balance sheet. The EaR position remained comfortably within risk appetite limits.

| <i>Earnings at Risk</i>         |                   |                   |
|---------------------------------|-------------------|-------------------|
|                                 | December 31, 2021 | December 31, 2020 |
| Earnings at Risk                | -33               | -74               |
| <b>Split by main currencies</b> |                   |                   |
| Earnings at Risk – EUR          | -40               | -75               |
| Earnings at Risk – USD          | 20                | -                 |

#### 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 2021 Modified Duration had increased by 3% (from 0.1% on December 31, 2020 to 3.1% on December 31, 2021) and BPV has changed from EUR -0.3 mln to EUR -13.3 mln. This was the outcome of several effects which are mostly from a

technical nature related to updates in behavioural models and assumptions, and market developments.

#### *Modified Duration (%) and BPV*

| (in million EUR)                | December 31, 2021 | December 31, 2020 |
|---------------------------------|-------------------|-------------------|
| Modified Duration (%)           | 3.1%              | 0.1%              |
| BPV                             | -13.3             | -0.3              |
| <b>Split by main currencies</b> |                   |                   |
| BPV – EUR                       | -13.6             | -2.1              |
| BPV – USD                       | 1.2               | 1.8               |

### 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 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 was 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.

Due to Rabobank's strategy of client risk redistribution, risk hedging and the low secondary market activity, risk appetite for market risk is modest. 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 on a weekly basis 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 35 million on December 31, 2021, well within the set limit. It fluctuated between EUR 35 million and EUR 70 million with an average of EUR 56 million.

Outside the trading environment event risk is applied to the underwriting business. The test is based on internal credit risk scores that mirror debt ratings and the markets categorisation

of the debt. The event risk result was EUR 52 million on December 31, 2020, and EUR 111 million on December 31, 2021, well within the set limit.

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 2021, the VaR fluctuated between EUR 2.4 million and EUR 6.3 million, the average being EUR 3.3 million. The VaR amounted to EUR 3.1 million on December 31, 2021.

#### *VAR (1 day, 97.5%) (amounts in millions of euros)*

|                          | Interest | Credit | Currencies | Shares | Commodities | Diversification | Total |
|--------------------------|----------|--------|------------|--------|-------------|-----------------|-------|
| <b>December 31, 2021</b> | 2.3      | 0.8    | 0.2        | 0.0    | 0.8         | (1.0)           | 3.1   |
| 2021 – average           | 2.9      | 1.0    | 0.2        | 0.0    | 0.7         |                 | 3.3   |
| 2021 – highest           | 4.4      | 4.4    | 2.6        | 0.0    | 1.3         |                 | 6.3   |
| 2021 – Lowest            | 2.1      | 0.3    | 0.1        | 0.0    | 0.5         |                 | 2.4   |
|                          |          |        |            |        |             |                 |       |
| <b>December 31, 2020</b> | 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   |

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 below shows the sensitivity to changes in the yield curves for the major currencies. On December 31, 2021, the interest rate delta for trading books was EUR 84 thousand positive. The interest rate delta remained well within the set limit during the reporting period.

#### *Interest Rate Delta*

| Amounts in millions of euros | December 31, 2021 | December 31, 2020 |
|------------------------------|-------------------|-------------------|
| EUR                          | 0.0               | 0.1               |
| USD                          | 0.1               | 0.0               |
| AUD                          | 0.0               | 0.0               |
| Other                        | 0.0               | (0.1)             |
| <b>Total</b>                 | <b>0.1</b>        | <b>0.0</b>        |

## 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

withdraw more funds than expected and 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 can 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 and SME loan 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 12 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 10.3 "Derivatives Designated as Hedging Instrument".

**Contractual Repayment Date**

| <i>Amounts in millions of euros</i>                                   | <i>On demand</i> | <i>Less than<br/>3 months</i> | <i>3 months<br/>to 1 year</i> | <i>1 - 5 years</i> | <i>Longer than<br/>5 years</i> | <i>No maturity<br/>applicable</i> | <i>Total</i>   |
|---|------------------|-------------------------------|-------------------------------|--------------------|--------------------------------|-----------------------------------|----------------|
| <b>On December 31, 2021</b>   |                  |                               |                               |                    |                                |                                   |                |
| <i>Liabilities</i>  |                  |                               |                               |                    |                                |                                   |                |
| Deposits from credit institutions                                     | 3,317            | 785                           | 1,859                         | 58,960             | 637                            | 7,626                             | 73,184         |
| Deposits from customers   | 326,342          | 9,261                         | 7,143                         | 7,167              | 22,747                         | 1,051                             | 373,711        |
| Debt securities in issue  | 6,976            | 13,459                        | 24,293                        | 40,535             | 30,895                         | -                                 | 116,158        |
| Other liabilities (excluding employee benefits and lease liabilities) | 2,188            | 1,108                         | 1,146                         | 564                | 22                             | 149                               | 5,177          |
| Lease liabilities   | 3                | 18                            | 58                            | 257                | 131                            | -                                 | 467            |
| Financial liabilities held for trading                                | -                | 1,419                         | -                             | -                  | -                              | -                                 | 1,419          |
| Financial liabilities designated at fair value                        | 36               | 377                           | 466                           | 940                | 2,272                          | -                                 | 4,091          |
| Subordinated liabilities  | 91               | 59                            | 1,659                         | 5,463              | 6,858                          | -                                 | 14,130         |
| <b>Total financial liabilities</b>                                    | <b>338,953</b>   | <b>26,486</b>                 | <b>36,624</b>                 | <b>113,886</b>     | <b>63,562</b>                  | <b>8,826</b>                      | <b>588,337</b> |
| Financial guarantees  | 3,868            | -                             | -                             | -                  | -                              | -                                 | 3,868          |
| Loan commitments  | 45,625           | -                             | -                             | -                  | -                              | -                                 | 45,625         |
| <b>On December 31, 2020</b>   |                  |                               |                               |                    |                                |                                   |                |
| <i>Liabilities</i>  |                  |                               |                               |                    |                                |                                   |                |
| 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         |
| <b>Total financial liabilities</b>                                    | <b>322,848</b>   | <b>24,497</b>                 | <b>41,904</b>                 | <b>106,402</b>     | <b>70,106</b>                  | <b>11,292</b>                     | <b>577,049</b> |
| Financial guarantees  | 3,381            | -                             | -                             | -                  | -                              | -                                 | 3,381          |
| Loan commitments  | 41,877           | -                             | -                             | -                  | -                              | -                                 | 41,877         |

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          |
|---|------------------|--------------------|--------------------|----------------|---------------------|------------------------|----------------|
| <b>On December 31, 2021</b>   |                  |                    |                    |                |                     |                        |                |
| <i>Financial assets</i>   |                  |                    |                    |                |                     |                        |                |
| Cash and cash equivalents   | 120,017          | 11                 | -                  | -              | -                   | 505                    | 120,533        |
| Loans and advances to credit institutions                             | 12,504           | 6,633              | 1,360              | 82             | 39                  | 1,447                  | 22,065         |
| Financial assets held for trading                                     | 221              | 307                | 162                | 409            | 1,206               | 179                    | 2,484          |
| Financial assets mandatorily at fair value                            | 30               | 36                 | 281                | 32             | 616                 | 1,507                  | 2,502          |
| Derivatives   | 1,580            | 1,596              | 2,286              | 2,936          | 14,573              | -                      | 22,971         |
| Loans and advances to customers                                       | 38,367           | 15,473             | 34,178             | 111,409        | 233,315             | 3,729                  | 436,471        |
| Financial assets at fair value through other comprehensive income     | 348              | 806                | 2,044              | 2,833          | 7,335               | 178                    | 13,544         |
| Other assets (excluding employee benefits)                            | 973              | 1,170              | 973                | 1,939          | 19                  | 5,089                  | 10,163         |
| <b>Total financial assets</b>   | <b>174,040</b>   | <b>26,032</b>      | <b>41,284</b>      | <b>119,640</b> | <b>257,103</b>      | <b>12,634</b>          | <b>630,733</b> |
| <i>Financial liabilities</i>  |                  |                    |                    |                |                     |                        |                |
| Deposits from credit institutions                                     | 3,316            | 783                | 1,838              | 58,842         | 604                 | 7,625                  | 73,008         |
| Deposits from customers   | 326,473          | 9,247              | 7,055              | 6,844          | 21,361              | 1,051                  | 372,031        |
| Debt securities in issue  | 6,945            | 13,373             | 23,824             | 37,902         | 26,665              | -                      | 108,709        |
| Derivatives   | 1,663            | 1,985              | 2,341              | 3,078          | 9,635               | 8                      | 18,710         |
| Financial liabilities held for trading                                | -                | 1,419              | -                  | -              | -                   | -                      | 1,419          |
| Other liabilities (excluding employee benefits and lease liabilities) | 2,201            | 1,428              | 1,240              | 685            | 61                  | 149                    | 5,764          |
| Lease liabilities   | 3                | 15                 | 50                 | 227            | 147                 | -                      | 442            |
| Financial liabilities designated at fair value                        | 36               | 377                | 465                | 933            | 2,006               | -                      | 3,817          |
| Subordinated liabilities  | 67               | -                  | 1,304              | 4,115          | 4,394               | -                      | 9,880          |
| <b>Total financial liabilities</b>                                    | <b>340,704</b>   | <b>28,627</b>      | <b>38,117</b>      | <b>112,626</b> | <b>64,873</b>       | <b>8,833</b>           | <b>593,780</b> |
| <b>Net balance</b>  | <b>(166,664)</b> | <b>(2,595)</b>     | <b>3,167</b>       | <b>7,014</b>   | <b>192,230</b>      | <b>3,801</b>           | <b>36,953</b>  |
| <b>On December 31, 2020</b>   |                  |                    |                    |                |                     |                        |                |
| <i>Financial assets</i>   |                  |                    |                    |                |                     |                        |                |
| 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 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              | 863                | 1,688          | 129                 | 3,043                  | 7,504          |
| <b>Total financial assets</b>   | <b>157,138</b>   | <b>26,839</b>      | <b>44,465</b>      | <b>117,130</b> | <b>261,934</b>      | <b>15,773</b>          | <b>623,279</b> |
| <i>Financial liabilities</i>  |                  |                    |                    |                |                     |                        |                |
| 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         |
| <b>Total financial liabilities</b>                                    | <b>325,011</b>   | <b>26,650</b>      | <b>43,881</b>      | <b>105,036</b> | <b>78,314</b>       | <b>11,306</b>          | <b>590,198</b> |
| <b>Net balance</b>  | <b>(167,873)</b> | <b>189</b>         | <b>584</b>         | <b>12,094</b>  | <b>183,620</b>      | <b>4,467</b>           | <b>33,081</b>  |

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 184% as per December 31, 2021 (2020: 193%), 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 risk is an inevitable part of Rabobank's business activities. Operational risk is the risk of financial, regulatory and reputational impact due to inadequate or failing processes, people, systems and / or external events. Rabobank aims to reduce this risk within the boundaries set by the risk appetite statement as appropriate to the complexity and size of Rabobank, as well as to monitor the risk actively and where needed, take additional action. Operational Risk Management (ORM) is an integral part of doing business. The objective of ORM is to identify, measure, mitigate, monitor and report operational risks, and to promote risk awareness and a healthy risk culture within Rabobank.

Rabobank has a risk and control framework (RCF) in place to actively manage and control operational risks, supported by policies, procedures, limits and control structures. Finding and action management and incident management take place in conjunction with the ORM cycle. Considering the scale of Rabobank and the complexity of its business activities, Rabobank uses multiple risk appetite statement metrics.

The Risk Management Committee Group (RMC) regularly has operational risk on its agenda and is responsible for setting the operational risk policy. The ownership and primary responsibility for the management of operational risk lies within the business, as it must be fundamentally woven

into the first line's strategic and day-to-day decision-making. Risk management committees play an important role in overseeing and monitoring the operational risks of the first line's activities. This structure enables Rabobank to manage current operational risks as well as to identify and prepare for managing new emerging risks.

### **Risk Profile Performance**

Rabobank's operational risk profile is above accepted levels. Mitigating actions and remediation programs are being continued to lower the operational risk profile. In the areas of conduct, external fraud and process execution failures Rabobank sees most of its materialized losses and high risks. The main themes driving our operational risk profile are related to compliance Themes, model risk, IT/cybercrime risk, transformation risk, outsourcing/BCM, and data management. Risks in these areas continue to remain significant for the short term future. With regard to consumer credit products based on variable interest, Rabobank decided in 2021 to offer compensation to clients, see Section 4.10 Legal and Arbitration Proceedings. For the incremental costs involved to resolve KYC backlogs a provision is recognized, see Section 4.10 Legal and Arbitration Proceedings. In addition, retaining and attracting qualified employees is becoming an emerging risk. The ongoing Covid-19 crisis has not caused a material increase in the operational risk profile or realized operational losses in 2021.

### **Internal Fraud**

Rabobank maintains a high level of awareness of the risk of internal fraud. Numerous controls to mitigate this risk are embedded in 1<sup>st</sup> and 2<sup>nd</sup> line procedures, such as, for example, controls to detect unauthorized access to internal systems by staff. In addition, awareness is maintained through mandatory and non-mandatory internal training on risk and fraud-related subjects for all employees. Governance is provided by several fraud-related policies, which are periodically reviewed, such as the Global Fraud Policy and the Global Procedure of Internal Integrity Investigations. Numerous reporting mechanisms are available to staff to ensure that signals are referred to the relevant department for follow up.

## 4.9 Fair Value of Financial Assets and Liabilities

For fair value measurement Rabobank assumes that the transaction to sell an asset or transfer a 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 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 include interbank placings and items to be collected. 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 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 which reflect 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 plus a spread which reflects the market conditions.

#### 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, that include the 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, that is, their carrying amount on that date. The fair value of 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 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.

| Amounts in millions of euros              | 2021            |            | 2020            |            |
|---|-----------------|------------|-----------------|------------|
|   | Carrying amount | Fair value | Carrying amount | Fair value |
| <b>Assets</b>                             |                 |            |                 |            |
| Cash and cash equivalents                 | 120,533         | 120,533    | 108,466         | 108,474    |
| Loans and advances to credit institutions | 22,065          | 22,063     | 21,383          | 21,388     |
| Loans and advances to customers           | 436,471         | 447,723    | 436,182         | 452,017    |
| <b>Liabilities</b>                        |                 |            |                 |            |
| Deposits from credit institutions         | 73,008          | 72,874     | 61,162          | 61,065     |
| Deposits from customers                   | 372,031         | 376,334    | 361,028         | 366,903    |
| Debt securities in issue                  | 108,709         | 109,594    | 113,521         | 115,351    |
| Subordinated liabilities                  | 9,880           | 11,295     | 13,486          | 15,716     |

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 been 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   |
|---|---------|---------|---------|---------|
| <b>On December 31, 2021</b>   |         |         |         |         |
| <b>Assets carried at amortized cost in the statement of financial position</b>      |         |         |         |         |
| Cash and cash equivalents   | 120,533 | -       | -       | 120,533 |
| Loans and advances to credit institutions   | -       | 22,061  | 2       | 22,063  |
| Loans and advances to customers   | -       | 129,225 | 318,498 | 447,723 |
| <b>Assets carried at fair value in the statement of financial position</b>          |         |         |         |         |
| Financial assets held for trading   | 1,519   | 109     | 856     | 2,484   |
| Financial assets mandatorily at fair value  | 42      | 643     | 1,817   | 2,502   |
| Derivatives   | 22      | 22,889  | 60      | 22,971  |
| Financial assets at fair value through other comprehensive income                   | 10,244  | 3,109   | 191     | 13,544  |
| Non-current assets held for sale  | -       | -       | 73      | 73      |
| <b>Liabilities carried at amortized cost in the statement of financial position</b> |         |         |         |         |
| Deposits from credit institutions   | -       | 72,733  | 141     | 72,874  |
| Deposits from customers   | -       | 61,732  | 314,602 | 376,334 |
| Debt securities in issue  | 13,474  | 89,823  | 6,297   | 109,594 |
| Subordinated liabilities  | 11,272  | 23      | -       | 11,295  |
| <b>Liabilities carried at fair value in the statement of financial position</b>     |         |         |         |         |
| Derivatives   | 36      | 18,629  | 45      | 18,710  |
| Financial liabilities held for trading  | 1,419   | -       | -       | 1,419   |
| Financial liabilities designated at fair value                                      | -       | 3,817   | -       | 3,817   |
| <b>On December 31, 2020</b>   |         |         |         |         |
| <b>Assets carried at amortized cost in the statement of financial position</b>      |         |         |         |         |
| 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 |
| <b>Assets carried at fair value in the statement of financial position</b>          |         |         |         |         |
| Financial assets held for trading   | 1,950   | 86      | 500     | 2,536   |
| Financial assets mandatorily at fair value  | -       | 704     | 1,355   | 2,059   |
| 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      |
| <b>Liabilities carried at amortized cost in the statement of financial position</b> |         |         |         |         |
| 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  |
| <b>Liabilities carried at fair value in the statement of financial position</b>     |         |         |         |         |
| Derivatives   | 21      | 28,353  | 28      | 28,402  |
| Financial liabilities held for trading  | 998     | -       | -       | 998     |
| Financial liabilities designated at fair value                                      | -       | 5,175   | -       | 5,175   |

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 165 million (2020: EUR 118 million) and EUR 3 million (2020: EUR 5 million) on other comprehensive income. 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 -166 million (2020: EUR -119 million) and EUR -4 million (2020: EUR -2 million) on other comprehensive income.



Financial assets at fair value categorized in Level 3 mainly include the equity stake in Mechanics Bank and private equity interests for a total amount of EUR 1,662 million as per December 31, 2021. 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 9.5, 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 categorized 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 2021 there were no significant transfers between level 1 and level 2.

| Amounts in millions of euros                                      | Balance on January 1, 2021 | 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, 2021 |
|---|----------------------------|---|--|-----------|-------|-------------|------------------------------|-----------------------------------|------------------------------|
| <b>Assets</b>   |                            |   |  |           |       |             |                              |                                   |                              |
| Financial assets held for trading                                 | 500                        | 17  | -                                      | 809       | (470) | -           | -                            | -                                 | 856                          |
| Financial assets mandatorily at fair value                        | 1,355                      | 458   | -                                      | 461       | (171) | (274)       | (12)                         | -                                 | 1,817                        |
| Derivatives   | 58                         | 58  | -                                      | -         | -     | (56)        | -                            | -                                 | 60                           |
| Financial assets at fair value through other comprehensive income | 261                        | -   | (72)                                   | -         | 3     | (1)         | -                            | -                                 | 191                          |
| <b>Liabilities</b>  |                            |   |  |           |       |             |                              |                                   |                              |
| Derivatives   | 28                         | 73  | -                                      | -         | -     | (56)        | -                            | -                                 | 45                           |
| Financial liabilities designated at fair value                    | -                          | -   | -                                      | -         | -     | -           | -                            | -                                 | -                            |

| 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 |
|---|----------------------------|---|--|-----------|-------|-------------|------------------------------|-----------------------------------|------------------------------|
| <b>Assets</b>   |                            |   |  |           |       |             |                              |                                   |                              |
| Financial assets held for trading                                 | 74                         | (10)  | -                                      | 462       | (26)  | -           | -                            | -                                 | 500                          |
| Financial assets mandatorily at fair value                        | 1,213                      | (33)  | -                                      | 254       | (79)  | -           | -                            | -                                 | 1,355                        |
| Derivatives   | 114                        | 4   | -                                      | -         | -     | (59)        | (1)                          | -                                 | 58                           |
| Financial assets at fair value through other comprehensive income | 226                        | -   | -                                      | 2         | (16)  | -           | 49                           | -                                 | 261                          |
| <b>Liabilities</b>  |                            |   |  |           |       |             |                              |                                   |                              |
| Derivatives   | 66                         | 21  | -                                      | -         | -     | (59)        | -                            | -                                 | 28                           |
| 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 |
|---|---|---|-------|
| <b>On December 31, 2021</b>                                       |   |   |       |
| <b>Assets</b>   |   |   |       |
| Financial assets held for trading                                 | 17  | -   | 17    |
| Financial assets mandatorily at fair value                        | 446   | 12  | 458   |
| Derivatives   | 29  | 29  | 58    |
| Financial assets at fair value through other comprehensive income | -   | -   | -     |
| <b>Liabilities</b>  |   |   |       |
| Derivatives   | 44  | 29  | 73    |
| Financial liabilities designated at fair value                    | -   | -   | -     |
| <b>On December 31, 2020</b>                                       |   |   |       |
| <b>Assets</b>   |   |   |       |
| Financial assets held for trading                                 | (11)  | 1   | (10)  |
| Financial assets mandatorily at fair value                        | (33)  | -   | (33)  |
| Derivatives   | (6)   | 10  | 4     |
| Financial assets at fair value through other comprehensive income | -   | -   | -     |
| <b>Liabilities</b>  |   |   |       |
| Derivatives   | 11  | 10  | 21    |
| 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, 2021.

## 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 history of each case; rulings from legal and arbitration bodies; Rabobank's experience and that of third parties in similar cases (if known); previous (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 information about estimated loss for individual cases is assessed by Rabobank as being expected to seriously prejudice its position in a dispute with other parties, 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 defense. 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 Courts, 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 defenses 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, 2021 a provision of EUR 3 million (December 31, 2020: EUR 12 million).

### Variable Interest Rates Conditions

In the Netherlands, there is a debate about applying correct interest rate conditions for certain products. Such products are also included in the portfolio of Rabobank. In different cases the Dutch Financial Services Complaints Tribunal (Kifid) ruled that lenders of certain consumer products should have followed the market rate while determining the variable interest rate of these products. Based on these Kifid rulings, Rabobank recognized that it did not consistently adjust the interest rate of certain consumer credit products in accordance with the reference rate selected by Kifid. Therefore, Rabobank made a provision of EUR 333 million to compensate part of its clients with certain consumer credit products with a variable interest rate.

There is uncertainty if other products with variable interest rates will also be affected. Rabobank considers the probability of this event not probable but more than remote. Rabobank cannot give a reliable estimate of the (potentially substantial) total financial risk of this contingent liability.

### 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 fraudulent preference (actio pauliana). 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. To date, 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 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 defenses 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. Rabobank cannot give a reliable estimate of the total outflow of this contingent liability. No provision has been made.

### Anti-Money Laundering, Counter Terrorism Financing & Sanctions

In the press release of November 15, 2021, Rabobank announced that it had received a draft instruction (*voorgenomen aanwijzing*) from the Dutch Central Bank (DNB) on October 12, 2021. Subsequently, Rabobank received the instruction (*aanwijzing*) on December 23, 2021. In this instruction, DNB determines that Rabobank does not meet the requirements of the Dutch Anti-Money Laundering and Anti-Terrorist Financing Act (*Wet ter voorkoming van witwassen en financiering van terrorisme, Wwft*). DNB orders Rabobank to remedy deficiencies regarding its Dutch retail division's compliance with the Wwft by December 15, 2023 at the latest. These deficiencies mainly concern the execution, recording and outsourcing of client due diligence, transaction monitoring and reporting of unusual transactions. While Rabobank has made substantial investments and improvements, the bank acknowledges that it has not yet remedied the deficiencies in order to adequately meet the requirements of the Wwft. Rabobank will therefore continue and increase its efforts and investments in the necessary expertise, technology and systems to build a robust and future-proof KYC organization that adequately meets the requirements of the Wwft. Ensuring this is an ongoing process and has the bank's full attention. Rabobank's KYC enhancement program is executed under the direct responsibility of the Managing Board. In addition, a new position within the Managing Board will be created with a specific focus on KYC compliance.

In response to the severity of the instruction received from DNB, Rabobank has committed itself to increase its efforts in order to remedy the deficiencies within the timeline set by DNB and will redesign its KYC enhancement program accordingly. Additional efforts required by the bank to resolve backlog files in client due diligence and transaction monitoring are part of this process. Accordingly, a provision of EUR 249 million has been included in Rabobank's 2021 financial statements for the incremental cost involved to resolve these backlogs (under other provisions). Rabobank also announced on November 15, 2021, that DNB informed the bank that a separate punitive enforcement procedure would commence, the outcome of which is not yet known. Although Rabobank considers it more likely than not that such a procedure will result in an outflow of funds, Rabobank did not recognize a provision for this matter because there are too many uncertainties to make a reliable estimate of the amount of the liability.

### 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. The total provision for these cases amounts to EUR 76 million (December 31, 2020: EUR 73 million). The maximum amount of non-remote measurable contingent liabilities relating to claims is EUR 217 million (December 31, 2020: EUR 474 million).

## 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 and Financial Solutions.
- 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, Mergers & Acquisition, Corporate Finance Origination, Global Corporate Clients, Project Finance, Trade & Commodity Finance, Value Chain Finance, and Rabo 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 residential property.
- Other Segments within Rabobank include various sub-segments of which no single segment can be listed separately. This business segment mainly comprises the financial results of investments in associates (in particular Achmea B.V.), Treasury, and the Rabobank Group Organization.

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         |
|--|-------------------------|--------------|--------------|----------------------|----------------|-----------------------|---------------|
| <b>For the year ended December 31, 2021</b>  |                         |              |              |                      |                |                       |               |
| Net interest income  | 4,520                   | 2,447        | 1,147        | (23)                 | 261            | (1)                   | 8,351         |
| Net fee and commission income  | 1,490                   | 433          | 105          | -                    | (5)            | (15)                  | 2,008         |
| Other results  | 76                      | 644          | 294          | 401                  | 383            | 12                    | 1,810         |
| <b>Income</b>  | <b>6,086</b>            | <b>3,524</b> | <b>1,546</b> | <b>378</b>           | <b>639</b>     | <b>(4)</b>            | <b>12,169</b> |
| Staff costs  | 2,529                   | 1,288        | 562          | 102                  | 189            | (13)                  | 4,657         |
| Other administrative expenses  | 1,359                   | 379          | 202          | 28                   | 147            | (80)                  | 2,035         |
| Depreciation and amortization  | 126                     | 98           | 26           | 9                    | 4              | 89                    | 352           |
| <b>Operating expenses</b>  | <b>4,014</b>            | <b>1,765</b> | <b>790</b>   | <b>139</b>           | <b>340</b>     | <b>(4)</b>            | <b>7,044</b>  |
| Impairment charges on financial assets   | (444)                   | 41           | (74)         | -                    | 3              | -                     | (474)         |
| Regulatory levies  | 441                     | 218          | 46           | 2                    | 15             | -                     | 722           |
| <b>Operating profit before tax</b>   | <b>2,075</b>            | <b>1,500</b> | <b>784</b>   | <b>237</b>           | <b>281</b>     | <b>-</b>              | <b>4,877</b>  |
| Income tax   | 551                     | 397          | 209          | 51                   | (25)           | 2                     | 1,185         |
| <b>Net profit</b>  | <b>1,524</b>            | <b>1,103</b> | <b>575</b>   | <b>186</b>           | <b>306</b>     | <b>(2)</b>            | <b>3,692</b>  |
| Cost/income ratio including regulatory levies (in %) <sup>1</sup>  | 73.2                    | 56.3         | 54.1         | 37.3                 | n/a            | n/a                   | 63.8          |
| Impairment charges on financial assets (in basis points of average private sector loan portfolio) <sup>2</sup> | (16)                    | 4            | (21)         | n/a                  | n/a            | n/a                   | (11)          |
| External assets  | 277,278                 | 140,335      | 38,595       | 3,440                | 179,927        | -                     | 639,575       |
| Goodwill   | 322                     | -            | -            | -                    | -              | -                     | 322           |
| Private sector loan portfolio  | 273,850                 | 108,636      | 34,484       | 97                   | 91             | -                     | 417,158       |

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         |
|--|-------------------------|--------------|--------------|----------------------|----------------|-----------------------|---------------|
| <b>Impairment allowances on financial assets</b>   |                         |              |              |                      |                |                       |               |
| <b>Balance on January 1, 2021</b>  | <b>2,393</b>            | <b>1,849</b> | <b>602</b>   | -                    | -              | -                     | <b>4,844</b>  |
| Increases due to origination and acquisition   | 132                     | 41           | 97           | -                    | -              | -                     | 270           |
| Decreases due to derecognition   | (301)                   | (180)        | (24)         | -                    | -              | -                     | (505)         |
| Changes due to change in credit risk   | (235)                   | 85           | (109)        | -                    | -              | -                     | (259)         |
| Write-off of defaulted loans during the year   | (325)                   | (329)        | (151)        | -                    | -              | -                     | (805)         |
| Other adjustments  | -                       | 56           | 7            | 1                    | -              | -                     | 64            |
| <b>Balance on December 31, 2021</b>  | <b>1,664</b>            | <b>1,522</b> | <b>422</b>   | <b>1</b>             | -              | -                     | <b>3,609</b>  |
| Impairment allowance 12-month ECL  | 139                     | 203          | 64           | -                    | -              | -                     | 406           |
| Impairment allowance lifetime ECL non-credit impaired  | 612                     | 170          | 124          | -                    | -              | -                     | 906           |
| Impairment allowance lifetime ECL credit-impaired  | 913                     | 1,149        | 234          | 1                    | -              | -                     | 2,297         |
| <b>Balance on December 31, 2021</b>  | <b>1,664</b>            | <b>1,522</b> | <b>422</b>   | <b>1</b>             | -              | -                     | <b>3,609</b>  |
| <b>For the year ended on December 31, 2020</b>   |                         |              |              |                      |                |                       |               |
| Net interest income  | 4,615                   | 2,197        | 1,100        | (16)                 | 103            | (2)                   | 7,997         |
| Net fee and commission income  | 1,314                   | 361          | 106          | 1                    | (9)            | 7                     | 1,780         |
| Other results  | 30                      | 164          | 292          | 309                  | 202            | 8                     | 1,005         |
| <b>Income</b>  | <b>5,959</b>            | <b>2,722</b> | <b>1,498</b> | <b>294</b>           | <b>296</b>     | <b>13</b>             | <b>10,782</b> |
| Staff costs  | 2,633                   | 1,243        | 537          | 91                   | 195            | (15)                  | 4,684         |
| Other administrative expenses  | 961                     | 224          | 200          | 32                   | 146            | (100)                 | 1,463         |
| Depreciation and amortization  | 135                     | 90           | 27           | 9                    | 7              | 127                   | 395           |
| <b>Operating expenses</b>  | <b>3,729</b>            | <b>1,557</b> | <b>764</b>   | <b>132</b>           | <b>348</b>     | <b>12</b>             | <b>6,542</b>  |
| Impairment on 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           |
| <b>Operating profit before tax</b>   | <b>1,299</b>            | <b>133</b>   | <b>225</b>   | <b>160</b>           | <b>(322)</b>   | <b>1</b>              | <b>1,496</b>  |
| Income tax   | 328                     | 117          | 61           | 45                   | (152)          | 1                     | 400           |
| <b>Net profit</b>  | <b>971</b>              | <b>16</b>    | <b>164</b>   | <b>115</b>           | <b>(170)</b>   | -                     | <b>1,096</b>  |
| Cost/income ratio including regulatory levies (in %) <sup>1</sup>  | 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) <sup>2</sup> | 23                      | 81           | 127          | n/a                  | n/a            | n/a                   | 46            |
| External assets  | 275,524                 | 135,457      | 36,073       | 3,191                | 182,013        | -                     | 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 (in basis points of average private sector loan portfolio)



| <i>Amounts in millions of euros</i>                   | <i>Domestic Retail<br/>Banking</i> | <i>W&amp;R</i> | <i>Leasing</i> | <i>Property<br/>Development</i> | <i>Other<br/>Segments</i> | <i>Consolidation<br/>Effects</i> | <i>Total</i> |
|---|------------------------------------|----------------|----------------|---------------------------------|---------------------------|----------------------------------|--------------|
| <b>Impairment allowances on financial assets</b>      |                                    |                |                |                                 |                           |                                  |              |
| <b>Balance on January 1, 2020</b>                     | <b>2,124</b>                       | <b>1,596</b>   | <b>357</b>     | <b>14</b>                       | -                         | -                                | <b>4,091</b> |
| 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)        |
| <b>Balance on December 31, 2020</b>                   | <b>2,393</b>                       | <b>1,849</b>   | <b>602</b>     | -                               | -                         | -                                | <b>4,844</b> |
| 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        |
| <b>Balance on December 31, 2020</b>                   | <b>2,393</b>                       | <b>1,849</b>   | <b>602</b>     | -                               | -                         | -                                | <b>4,844</b> |

## 5.2 Geographic Information (Country-by-Country Reporting)

Rabobank operates in seven main geographical areas. Its country of domicile 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, 2021

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 |
|--------------------------------------|----------------------|--|---|----------|---|-----------------------------|------------|
| <b>The Netherlands</b>               | The Netherlands      | Rabobank, DLL, Obvion, Rabo Vastgoedgroep, BPD | Domestic Retail Banking, Wholesale and Rural, Leasing, Property Development | 18,746   | 25,681                                      | 3,178                       | 739        |
| <b>Other Eurozone countries</b>      | France               | DLL, Rabobank                                  | Leasing, Wholesale and Rural  | 159      | 170   | 69                          | 15         |
|                                      | Belgium              | DLL, Rabobank                                  | Leasing, Wholesale and Rural  | 90       | 118   | 14                          | 8          |
|                                      | Germany              | DLL, Rabobank, Rabo Vastgoedgroep, BPD         | Leasing, Wholesale and Rural, Property Development                          | 1,042    | 735   | 109                         | 34         |
|                                      | Italy                | DLL, Rabobank                                  | Leasing, Wholesale and Rural  | 87       | 176   | 35                          | 10         |
|                                      | Ireland              | DLL, Rabobank                                  | Leasing, Wholesale and Rural  | 275      | 184   | 79                          | 10         |
|                                      | Finland              | DLL  | Leasing   | 7        | 16  | 1                           | -          |
|                                      | Austria              | DLL  | Leasing   | 4        | 3   | 3                           | 1          |
|                                      | Portugal             | DLL  | Leasing   | 16       | 23  | 4                           | -          |
|                                      | Spain                | DLL, Rabobank                                  | Leasing, Wholesale and Rural  | 65       | 146   | (28)                        | 14         |
| <b>Rest of Europe (non-Eurozone)</b> | United Kingdom       | DLL, Rabobank                                  | Leasing, Wholesale and Rural  | 478      | 791   | 94                          | 18         |
|                                      | Norway               | DLL  | Leasing   | 37       | 49  | 8                           | 2          |
|                                      | Sweden               | DLL  | Leasing   | 63       | 150   | 11                          | 1          |
|                                      | Denmark              | DLL  | Leasing   | 31       | 33  | 2                           | -          |
|                                      | Switzerland          | DLL  | Leasing   | 5        | 9   | 1                           | -          |
|                                      | Russia               | DLL  | Leasing   | 32       | 80  | 15                          | 1          |
|                                      | Poland               | DLL  | Leasing   | 27       | 78  | 6                           | 2          |
|                                      | Hungary              | DLL  | Leasing   | 7        | 33  | 2                           | -          |
|                                      | Turkey               | DLL, Rabobank                                  | Leasing, Wholesale and Rural  | 26       | 53  | 19                          | 5          |
| <b>North America</b>                 | United States        | DLL, Rabobank                                  | Leasing, Wholesale and Rural  | 2,813    | 2,953                                       | 553                         | 85         |
|                                      | Canada               | DLL, Rabobank                                  | Leasing, Wholesale and Rural  | 247      | 269   | 67                          | 17         |
| <b>Latin America</b>                 | Mexico               | DLL  | Leasing   | 31       | 85  | 4                           | 2          |
|                                      | Brazil               | DLL, Rabobank                                  | Leasing, Wholesale and Rural  | 456      | 805   | 171                         | 67         |
|                                      | Chile                | DLL, Rabobank                                  | Leasing, Wholesale and Rural  | 44       | 144   | 11                          | 5          |
|                                      | Argentina            | DLL  | Leasing   | 7        | 14  | 6                           | 2          |
|                                      | Peru                 | Rabobank                                       | Wholesale and Rural   | 1        | 6   | -                           | -          |
| <b>Asia</b>                          | India                | DLL, Rabobank                                  | Leasing, Wholesale and Rural  | 55       | 482   | (16)                        | 17         |
|                                      | Singapore            | DLL, Rabobank                                  | Leasing, Wholesale and Rural  | 100      | 143   | 14                          | 2          |
|                                      | Indonesia            | Rabobank                                       | Wholesale and Rural   | -        | -   | -                           | -          |
|                                      | Malaysia             | Rabobank                                       | Wholesale and Rural   | -        | 2   | -                           | -          |
|                                      | China                | DLL, Rabobank                                  | Leasing, Wholesale and Rural  | 28       | 81  | 17                          | 3          |
|                                      | Hong Kong            | DLL, Rabobank                                  | Leasing, Wholesale and Rural  | 135      | 179   | 7                           | 1          |
|                                      | South Korea          | DLL  | Leasing   | 11       | 24  | 3                           | 1          |
|                                      | United Arab Emirates | DLL  | Leasing   | -        | 1   | -                           | -          |

On December 31, 2021

|           |                  |                |                              |         |        |       |       |
|-----------|------------------|----------------|------------------------------|---------|--------|-------|-------|
| Australia | Australia        | DLL, Rabobank  | Leasing, Wholesale and Rural | 938     | 1,309  | 259   | 78    |
|           | New Zealand      | DLL, Rabobank, | Leasing, Wholesale and Rural | 407     | 450    | 159   | 45    |
| Other     | Mauritius, Kenya | Rabobank       | Wholesale and Rural          | 1       | 19     | -     | -     |
|           |                  |                | Consolidation effects        | (7,134) | -      | -     | -     |
|           |                  |                |                              | 19,337  | 35,494 | 4,877 | 1,185 |

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 | 16,266   | 24,976                                      | 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)        |
|                               | United Kingdom  | DLL, Rabobank                                  | Leasing, Wholesale and Rural  | 523      | 749   | (5)                         | (2)        |
| Rest of Europe (non-Eurozone) | 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          |
|                               |                 |  |   |          |   |                             |            |
|                               | United States   | DLL, Rabobank                                  | Leasing, Wholesale and Rural  | 2,991    | 2,947                                       | 314                         | 66         |

On December 31, 2020

|               |                         |               |                                    |               |               |              |            |
|---------------|-------------------------|---------------|------------------------------------|---------------|---------------|--------------|------------|
|               | Canada                  | DLL, Rabobank | Leasing,<br>Wholesale and<br>Rural | 252           | 265           | 58           | 15         |
|               |                         |               |                                    |               |               |              |            |
| Latin America | Mexico                  | DLL           | Leasing                            | 31            | 79            | (3)          | (1)        |
|               | Brazil                  | DLL, Rabobank | Leasing,<br>Wholesale and<br>Rural | 514           | 783           | 89           | 32         |
|               | Chile                   | DLL, Rabobank | Leasing,<br>Wholesale and<br>Rural | 54            | 141           | 2            | (1)        |
|               | Argentina               | DLL           | Leasing                            | 4             | 16            | 1            | -          |
|               | Peru                    | Rabobank      | Wholesale and<br>Rural             | 1             | 3             | -            | -          |
|               |                         |               |                                    |               |               |              |            |
| Asia          | India                   | DLL, Rabobank | Leasing,<br>Wholesale and<br>Rural | 68            | 547           | (11)         | 12         |
|               | Singapore               | DLL, Rabobank | Leasing,<br>Wholesale and<br>Rural | 152           | 177           | (126)        | (14)       |
|               | Indonesia               | Rabobank      | Wholesale and<br>Rural             | 22            | 225           | (20)         | -          |
|               | Malaysia                | Rabobank      | Wholesale and<br>Rural             | 3             | 3             | 2            | (1)        |
|               | China                   | DLL, Rabobank | Leasing,<br>Wholesale and<br>Rural | 40            | 96            | (31)         | (7)        |
|               | Hong Kong               | DLL, Rabobank | Leasing,<br>Wholesale and<br>Rural | 173           | 189           | (5)          | (1)        |
|               | South Korea             | DLL           | Leasing                            | 11            | 25            | 2            | -          |
|               | United Arab<br>Emirates | DLL           | Leasing                            | -             | 1             | -            | -          |
|               |                         |               |                                    |               |               |              |            |
| Australia     | Australia               | DLL, Rabobank | Leasing,<br>Wholesale and<br>Rural | 1,017         | 1,240         | 211          | 63         |
|               | New Zealand             | DLL, Rabobank | Leasing,<br>Wholesale and<br>Rural | 430           | 393           | 104          | 28         |
|               |                         |               |                                    |               |               |              |            |
| Other         | Mauritius, Kenya        | Rabobank      | Wholesale and<br>Rural             | 1             | 19            | -            | -          |
|               |                         |               | Consolidation<br>effects           | (5,929)       | -             | -            | -          |
|               |                         |               |                                    | <b>18,674</b> | <b>34,837</b> | <b>1,496</b> | <b>400</b> |

Rabobank did not receive government subsidies in 2021.

### 5.3 Geographic Information of Non-current Assets

| Amounts in millions of euros                     | 2021          |              | 2020         |              |
|--|---------------|--------------|--------------|--------------|
|  | Domestic      | Non-domestic | Domestic     | Non-domestic |
| Goodwill and other intangible assets             | 591           | 87           | 656          | 84           |
| Property and equipment and investment properties | 1,858         | 3,012        | 1,975        | 3,040        |
| Other assets                                     | 7,718         | 2,448        | 5,330        | 2,178        |
| Non-current assets held for sale                 | 45            | 28           | 40           | 12           |
| <b>Total</b>                                     | <b>10,212</b> | <b>5,575</b> | <b>8,001</b> | <b>5,314</b> |

## 6. Cash and Cash Equivalents

| Amounts in millions of euros           | 2021           | 2020           |
|--|----------------|----------------|
| Cash                                   | 456            | 536            |
| Deposits at central banks              | 120,077        | 107,930        |
| <b>Total cash and cash equivalents</b> | <b>120,533</b> | <b>108,466</b> |

The average minimum reserve to be held for the Netherlands for the month of December 2021 was EUR 3,572 million (December 2020: EUR 3,295 million).

## 7. Loans and Advances to Credit Institutions

| Amounts in millions of euros   | 2021          | 2020          |
|--|---------------|---------------|
| Current accounts and receivables                                       | 4,892         | 5,207         |
| Reverse repurchase transactions and securities borrowing agreements    | 16,590        | 15,803        |
| Loans  | 536           | 316           |
| Other  | 50            | 58            |
| <b>Gross carrying amount loans and advances to credit institutions</b> | <b>22,068</b> | <b>21,384</b> |
| Loan impairment allowance on loans and advances to credit institutions | (2)           | (1)           |
| <b>Total loans and advances to credit institutions</b>                 | <b>22,066</b> | <b>21,383</b> |

## 8. Financial Assets Held for Trading

| Amounts in millions of euros | 2021         | 2020         |
|------------------------------|--------------|--------------|
| Government bonds             | 875          | 1,093        |
| Other debt securities        | 542          | 715          |
| Loans                        | 887          | 548          |
| Equity instruments           | 180          | 180          |
| <b>Total</b>                 | <b>2,484</b> | <b>2,536</b> |

## 9. Financial Assets Mandatorily at Fair Value

| Amounts in millions of euros | 2021         | 2020         |
|------------------------------|--------------|--------------|
| Debt securities              | 7            | 43           |
| Loans                        | 868          | 1,165        |
| Equity instruments           | 1,627        | 867          |
| <b>Total</b>                 | <b>2,502</b> | <b>2,075</b> |

## 10. Derivatives

Rabobank uses derivatives to mitigate at least a portion of the risks arising from the bank's various operations. For example, interest rate swaps are used 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, Rabobank also contracts derivatives with corporate customers where we act as the counterparty.

### 10.1 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 usually expressed in basis points, with the size of the fee depending on the credit spread and tenor of the reference asset.

## 10.2 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.

## 10.3 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).

For Rabobank's main currencies the average fixed rate for interest rate swaps used in fair value hedge accounting is 0,38% (2020: 0,58%) for EUR and 3,02% (2020: 3,09%) for USD.

The following table shows the notional amount of derivatives designated in fair value hedging, split into the maturity of the instruments.

### Maturity Profile of Hedging Instruments in Fair Value Hedges

Amounts in millions of euros

| Amounts in millions of euros             |                          | Remaining maturity |             |                     |
|--|--------------------------|--------------------|-------------|---------------------|
|  | Total<br>notional amount | Less than 1 year   | 1 - 5 years | Longer than 5 years |
| On December 31, 2021                     |                          |                    |             |                     |
| Hedging instruments in fair value hedges | 121,832                  | 23,777             | 28,271      | 69,784              |
| On December 31, 2020                     |                          |                    |             |                     |
| Hedging instruments in fair value hedges | 121,905                  | 13,424             | 53,712      | 54,769              |

The following table shows the carrying amounts of derivatives designated in fair value hedging and the change in fair value used for calculating hedge ineffectiveness. These carrying

amounts do not reconcile to the amounts presented in section 10.4 as no netting rules are applied.



### Designated Hedging Instruments in Fair Value Hedges of Interest Rate Risk

| Amounts in millions of euros   | Carrying amount<br>derivative<br>financial assets | Carrying amount<br>derivative<br>financial liabilities | Change in fair value<br>used for calculating<br>hedge ineffectiveness |
|--|---|--|---|
| <b>On December 31, 2021</b>  |   |  |   |
| Hedge of loans and advances to customers                                   | 1,788   | 661  | 3,062   |
| Hedge of financial assets at fair value through other comprehensive income | 131   | 145  | 271   |
| Hedge of deposits from customers   | 232   | 4  | (103)   |
| Hedge of issued debt securities  | 2,870   | 390  | (1,403)   |
| <b>On December 31, 2020</b>  |   |  |   |
| 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   |

Hedge ineffectiveness of fair value hedging amounts to EUR 117 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<br>of fair value hedge<br>adjustment on the<br>hedged item included<br>in the carrying<br>amount of the<br>hedged item | Change in fair value<br>used for calculating<br>hedge ineffectiveness | Accumulated<br>amount of fair value<br>hedge adjustments<br>remaining for any<br>hedged items that<br>have ceased to be<br>adjusted for hedging<br>gains and losses |
|---|-----------------|---|---|---|
| <b>On December 31, 2021</b>                                       |                 |   |   |   |
| Loans and advances to customers                                   | 68,398          | 3,408   | (3,037)   | 4,672   |
| Financial assets at fair value through other comprehensive income | 8,418           | -   | (271)   | -   |
| Deposits from customers   | 8,408           | (11)  | (103)   | (3)   |
| Issued debt securities  | 42,729          | 2,374   | (1,494)   | 1,596   |
| <b>On December 31, 2020</b>                                       |                 |   |   |   |
| 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   |

### 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<br>notional amount | Less than 1 year   | 1 - 5 years | Longer than 5 years |
| On December 31, 2021                    |                          |                    |             |                     |
| Cross-currency swaps (USD:EUR)          |                          |                    |             |                     |
| Notional amounts of hedging instrument  | 14                       | -                  | -           | 14                  |
| Average exchange rate (USD:EUR)         |                          | n/a                | n/a         | 1.41                |
| Cross-currency swaps (GBP:EUR)          |                          |                    |             |                     |
| Notional amounts of hedging instrument  | 86                       | 23                 | 15          | 48                  |
| Average exchange rate (GBP:EUR)         |                          | 0.78               | 0.80        | 0.85                |
| Cross-currency swaps (other currencies) |                          |                    |             |                     |
| Notional amounts of hedging instrument  | 39                       | 7                  | 23          | 9                   |
| 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                   |

The following table shows the carrying amounts of derivatives designated in cash flow hedging and the change in fair value used for calculating hedge ineffectiveness. These carrying

amounts do not reconcile to the amounts presented in section 10.4 as no netting rules are applied.

### Cash Flow Hedges of Interest Rate and Foreign Currency Risk, Designated Hedging Instruments

| Amounts in millions of euros                          | Carrying amount<br>derivative<br>financial assets | Carrying amount<br>derivative<br>financial liabilities | Change in fair value<br>used for calculating<br>hedge ineffectiveness |
|---|---|--|---|
| <b>On December 31, 2021</b>                           |   |  |   |
| Cross-currency interest rate swaps (USD:EUR)          | 14  | -  | 4   |
| Cross-currency interest rate swaps (GBP:EUR)          | 15  | -  | (1)   |
| Cross-currency interest rate swaps (other currencies) | 4   | 1  | 2   |
| <b>Total</b>  | <b>33</b>   | <b>1</b>   | <b>5</b>  |
| <b>On December 31, 2020</b>                           |   |  |   |
| Cross-currency interest rate swaps (USD:EUR)          | -   | 4  | 7   |
| Cross-currency interest rate swaps (GBP:EUR)          | 6   | 26   | 14  |
| Cross-currency interest rate swaps (other currencies) | 5   | 1  | 2   |
| <b>Total</b>  | <b>11</b>   | <b>31</b>  | <b>23</b>   |

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 30 "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, 2021         |   |   |  |
| Issued debt securities       | 5   | 14  | (27)   |
| On December 31, 2020         |   |   |  |
| Issued debt securities       | 23  | (16)  | (30)   |

### 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, 2021 |             |                     |
|--|-----------------------|---|-------------|---------------------|
| Amounts in millions of euros           |                       | Less than 1 year                        | 1 - 5 years | Longer than 5 years |
| <b>Forward currency contracts</b>      |                       |   |             |                     |
| Notional amounts of hedging instrument | 4,156                 | 4,156                                   | -           | -                   |
|  |                       |   |             |                     |
|  | Total notional amount | Remaining maturity on December 31, 2020 |             |                     |
| <b>Forward currency contracts</b>      |                       |   |             |                     |
| Notional amounts of hedging instrument | 3,518                 | 3,518                                   | -           | -                   |

For the main currencies the average exchange rates used in net investment hedge accounting for 2021 are EUR/AUD

1.58 (2020: 1.63), EUR/NZD 1.67 (2020: 1.74) and EUR/BRL 6.37 (2020: 6.45).

| Amounts in millions of euros | Carrying amount<br>financial assets | Carrying amount<br>financial liabilities | Change in fair value<br>used for calculating<br>hedge ineffectiveness |
|------------------------------|-------------------------------------|--|---|
| On December 31, 2021         |                                     |  |   |
| Forward currency contracts   | -                                   | 22                                       | (11)  |
| On December 31, 2020         |                                     |  |   |
| Forward currency contracts   | 1                                   | 55                                       | 278   |

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 30 "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

| <i>Amounts in millions of euros</i> | <i>Change in fair value<br/>used for calculating<br/>hedge ineffectiveness</i> | <i>Foreign currency<br/>translation reserve for<br/>continuing hedges</i> | <i>Remaining foreign<br/>currency translation<br/>reserve from hedging<br/>relationships for<br/>which hedge<br/>accounting is no<br/>longer applied</i> |
|-------------------------------------|--|---|--|
| <b>On December 31, 2021</b>         |  |   |  |
| Net investment                      | 11   | 504   | 146  |
| <b>On December 31, 2020</b>         |  |   |  |
| Net investment                      | (278)  | 420   | 146  |

## 10.4 Notional Amount and Fair Value of Derivatives

The following table shows the notional amounts and the fair values of derivatives as presented in the statement of financial position<sup>1</sup>.

| <i>Notional Amount and Fair Values of Derivatives</i>                        |                      |               |               |                      |               |               |
|--|----------------------|---------------|---------------|----------------------|---------------|---------------|
| Amounts in millions of euros   | On December 31, 2021 |               |               | On December 31, 2020 |               |               |
|  | Notional amounts     | Fair values   |               | Notional amounts     | Fair values   |               |
|  |                      | Assets        | Liabilities   |                      | Assets        | Liabilities   |
| Derivatives held for trading   | 5,064,012            | 21,116        | 18,316        | 4,612,409            | 27,700        | 24,941        |
| Derivatives designated as hedging instrument                                 | 125,201              | 1,855         | 394           | 124,745              | 1,938         | 3,461         |
| <b>Total derivatives</b>   | <b>5,189,213</b>     | <b>22,971</b> | <b>18,710</b> | <b>4,737,154</b>     | <b>29,638</b> | <b>28,402</b> |
| <i>Derivatives held for trading</i>  |                      |               |               |                      |               |               |
| <i>Currency derivatives</i>  |                      |               |               |                      |               |               |
| Currency swaps   | 474,129              | 4,802         | 5,949         | 396,571              | 8,968         | 7,739         |
| Currency options - purchased and sold  | 6,680                | 98            | 37            | 4,976                | 58            | 88            |
| Listed tradeable contracts   | 7,406                | 14            | 22            | 5,109                | 6             | 6             |
| Currency futures   | 332                  | 2             | 6             | 380                  | 7             | 10            |
| <b>Total currency derivatives</b>  | <b>488,547</b>       | <b>4,916</b>  | <b>6,014</b>  | <b>407,036</b>       | <b>9,039</b>  | <b>7,843</b>  |
| <i>Interest rate derivatives</i>   |                      |               |               |                      |               |               |
| OTC interest rate swaps  | 4,360,076            | 13,872        | 9,751         | 3,999,005            | 15,734        | 14,227        |
| OTC interest rate options  | 71,696               | 1,506         | 1,709         | 65,639               | 2,483         | 2,527         |
| Listed interest rate swaps   | 124,470              | 1             | 1             | 129,268              | 1             | 1             |
| <b>Total interest rate derivatives</b>                                       | <b>4,556,242</b>     | <b>15,379</b> | <b>11,461</b> | <b>4,193,912</b>     | <b>18,218</b> | <b>16,755</b> |
| Credit derivatives   | 2,176                | 141           | 23            | 1,111                | 120           | 10            |
| Equity instruments/<br>index derivatives                                     | 4                    | -             | 46            | 3                    | 1             | 1             |
| Other derivatives  | 17,043               | 680           | 772           | 10,347               | 322           | 332           |
| <b>Total derivatives held for trading</b>                                    | <b>5,064,012</b>     | <b>21,116</b> | <b>18,316</b> | <b>4,612,409</b>     | <b>27,700</b> | <b>24,941</b> |
| <i>Derivatives designated as hedging instrument</i>                          |                      |               |               |                      |               |               |
| <i>Derivatives designated as hedging instrument in fair value hedges</i>     |                      |               |               |                      |               |               |
| Interest rate swaps and cross-currency interest rate swaps                   | 121,832              | 1,823         | 371           | 121,905              | 1,937         | 3,406         |
| <i>Derivatives designated as hedging instrument in cash flow hedges</i>      |                      |               |               |                      |               |               |
| Currency swaps and cross-currency interest rate swaps                        | 141                  | 32            | 1             | 175                  | 1             | -             |
| <i>Derivatives designated as hedging instrument as net investment hedges</i> |                      |               |               |                      |               |               |
| Currency futures contracts   | 3,228                | -             | 22            | 2,664                | -             | 55            |
| <b>Total derivatives designated as hedging instrument</b>                    | <b>125,201</b>       | <b>1,855</b>  | <b>394</b>    | <b>124,744</b>       | <b>1,938</b>  | <b>3,461</b>  |

<sup>1</sup> As of 2021, the IAS 32 offsetting is also applied to the disclosure of derivatives designated as hedging instruments. Comparative figures have been adjusted accordingly.

## 10.5 Interest Rate Benchmark Reform

In prior years the reliability and robustness of the IBORs – the key interbank benchmark interest rate – have been questioned, due to cases of attempted manipulation and the decline of liquidity in interbank unsecured funding markets. In 2014 the Financial Stability Board issued a report with its recommendations on interest rate benchmarks that triggered the benchmark reform.

On March 5, 2021, the Financial Conduct Authority (FCA) announced the permanent cessation of all the settings for EUR, GBP, CHF and JPY LIBOR and the 1 week and 2 months tenors for the USD Libor after the end of 2021. The cessation of the remaining dollar settings will be conducted after the end of June 2023. The IBORs are being replaced by risk free rates (RFRs), which are more liquid and anchored in active market rates.

Rabobank set up a program to lead the bank through the transition from the current benchmark rates to the reformed benchmarks. 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 focussed on the repapering of the IBOR legacy contracts especially for the GBP, JPY, CHF currencies, and EONIA, which have ceased on January 1 and 3, 2022. Rabobank is progressing as planned to finalize the IT operational readiness for the outstanding new RFR products. The following table contains details of the financial instruments that Rabobank held on December 31, 2021 and that have not yet transitioned to their alternative interest rate benchmarks (i.e. 3-month, 6-month, and 1-year USD LIBOR).

### Financial Instruments exposed to IBORs

Amounts in millions of euros

On December 31, 2021

| Assets exposed to USD Libor             | Carrying amount | Of which: matures after transition date |
|---|-----------------|---|
| Non-Derivative financial assets         | 34,069          | 14,550                                  |
| - Current accounts                      | 100             | 100                                     |
| - Other Loans and advances to customers | 32,808          | 14,445                                  |
| - Other non-derivative assets           | 1,161           | 5                                       |
| Liabilities exposed to USD Libor        |                 |   |
| Non-Derivative financial liabilities    | 3,507           | 2,242                                   |
| - Deposits from customers               | 2,380           | 2,021                                   |
| - Other non-derivative liabilities      | 1,127           | 221                                     |
|   | Notional amount | Of which: matures after transition date |
| Derivatives                             | 627,491         | 486,756                                 |

### Hedge Accounting Directly Affected by Interest Rate Benchmark Reform

IFRS issued two amendments that prevent undesired (hedge) accounting effects of the interest benchmark rate reform (see also Section 2.1 Basis of Preparation). The phase 1 amendment prevents that hedge relationships are terminated because of uncertainties during the period before benchmark reform takes place. Without the Phase 1 amendment, the existence of such uncertainties could imply that certain hedge relationships may not meet all the relevant requirements of IAS 39 or IFRS 9.

The phase 2 amendment allows changes to hedge documentation. As a result of these changes there is no requirement that affected hedge relationships are de-designated at the time of the repapering of a hedged item or hedging instrument, and there are no resulting hedge accounting gains or losses.

#### Phase 1 amendments

The Phase 1 amendments address the uncertainty in the period before the actual interest rate benchmark reform takes place. The hedge accounting relationships are 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 is of the opinion that the uncertainty only arises when there is a liquidity switch point and/or when there is a trigger/ cessation event. On March 5,



2021, the FCA announced the cessation of Libor. As of this date, the Phase 1 amendments are necessary to continue hedge relationships that Rabobank has designated. In accordance with the Phase 1 amendment, from March 5, 2021 onwards, Rabobank assumes that the interest rate benchmark is not altered as a result of the interest rate benchmark reform and that the interest benchmark designated as hedged risk was separately identifiable at inception. Any uncertainty arising from the reform should end when the financial instruments exposed to IBORs are repapered.

The table below indicates the nominal amounts and maturities of the derivatives and the hedged risks in hedge accounting relationships that are affected by the IBOR reform but have not transitioned yet to alternative benchmark rates (i.e. 3-month, 6-month, and 1-year USD LIBOR). We note that only IBORs that are included in the cessation announcement are included. The interest rate swaps designated in the hedge accounting relationships provide a close approximation of the extent of the designated hedged risk (floating leg LIBOR of the swap) impacted by the reform. The USD cross currency interest rate swaps designated in hedge relationships are not affected by the IBOR reform as these are fixed foreign currency to floating Euribor swaps. However, the hedged risk (LIBOR of respective fixed leg currency of the swap) in these hedge accounting relationships is affected by the IBOR reform.

#### Derivatives and Hedged Risks in Hedge Accounting Relationships affected by the IBOR Reform

| Amounts in million of euros | Nominal amount per maturity bucket |              |                     |              |
|-----------------------------|------------------------------------|--------------|---------------------|--------------|
|                             | Less than 1 year                   | 1 - 5 years  | Longer than 5 years | Total        |
| <i>On December 31, 2021</i> |                                    |              |                     |              |
| <b>Interest rate swaps</b>  |                                    |              |                     |              |
| USD Libor 1 months          | -                                  | 57           | -                   | 57           |
| USD Libor 3 months          | 35                                 | 3,279        | 5,616               | 8,930        |
| USD Libor 6 months          | -                                  | -            | 177                 | 177          |
| <b>Total</b>                | <b>35</b>                          | <b>3,336</b> | <b>5,793</b>        | <b>9,164</b> |

#### Phase 2 amendments

Phase 2 amendments apply when hedge relationships and hedge documentation are modified, mainly at the moment of the repapering of hedging instruments (Rabobank has not designated cash flow hedges where it hedges the variability of interest cash flow of hedged items subject to the benchmark reform).

All derivatives referencing to Eonia or Libor rates that have ceased at the end of 2021 (i.e. EUR, GBP, CHF and JPY LIBOR and the 1 week and 2 months tenors for the USD Libor) have been migrated or repapered to their successor

rates. When such derivatives were designated in a hedge relationship, Rabobank has modified the hedge relationship and hedge documentation to reflect the new benchmark rates in accordance with the Phase 2 amendments. This means that for fair value hedges with a benchmark rate that has ceased, the hedged risk transitioned to an alternative benchmark rate.

All the new hedged risks are interest rates that are separately identifiable. In accordance with the Phase 2 amendment, this hedge accounting transition event did not result in gains or losses.

## 11. Loans and Advances to Customers

| Amounts in millions of euros  | 2021           | 2020           |
|---|----------------|----------------|
| <b>Loans to private sector clients:</b>   |                |                |
| Overdrafts  | 10,195         | 11,603         |
| Mortgages   | 192,492        | 188,117        |
| Finance leases  | 20,551         | 19,907         |
| Corporate loans <sup>1</sup>  | 179,270        | 171,281        |
| Other   | 18,142         | 23,166         |
| <b>Loans to government clients:</b>   |                |                |
| Finance leases  | 153            | 172            |
| Other   | 1,853          | 1,862          |
| <b>Reverse repurchase transactions, securities borrowing agreements and settlement accounts</b> | <b>13,904</b>  | <b>17,355</b>  |
| <b>Gross carrying amount loans and advances to customers</b>                                    | <b>436,560</b> | <b>433,463</b> |
| Hedge accounting adjustment   | 3,408          | 7,419          |
| Impairment allowances on loans and advances to customers  | (3,497)        | (4,700)        |
| <b>Total loans and advances to customers</b>  | <b>436,471</b> | <b>436,182</b> |

1 As of 2021, loans to sole proprietorships are classified as private individuals. The comparative figures have been adjusted accordingly.

### Finance Leases

Loans and advances to customers includes receivables from finance leases, which can be broken down as follows:

| Amounts in millions of euros                               | 2021          | 2020          |
|--|---------------|---------------|
| <b>Receivables from gross investment in finance leases</b> |               |               |
| Not exceeding 1 year                                       | 6,570         | 6,282         |
| 1 to 2 years   | 5,251         | 5,101         |
| 2 to 3 years   | 3,987         | 3,952         |
| 3 to 4 years   | 2,713         | 2,846         |
| 4 to 5 years   | 1,719         | 1,564         |
| More than 5 years  | 1,541         | 1,378         |
| <b>Gross investment in finance leases</b>                  | <b>21,781</b> | <b>21,123</b> |
| Unearned deferred finance income from finance leases       | 1,385         | 1,495         |
| <b>Net investment in finance leases</b>                    | <b>20,396</b> | <b>19,628</b> |
| Loan impairment allowance finance leases                   | 308           | 451           |
| <b>Gross carrying amount finance leases</b>                | <b>20,704</b> | <b>20,079</b> |
| Finance income on net investment                           | 780           | 788           |

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 2,288 million (2020: EUR 2,072 million). The contingent lease payments recognized as income in 2021 were zero (2020: zero).

## 12. Financial Assets at Fair Value through Other Comprehensive Income

| Amounts in millions of euros   | 2021          | 2020          |
|--|---------------|---------------|
| Government bonds   | 9,642         | 9,974         |
| Other debt securities  | 3,571         | 5,006         |
| Loans  | 153           | 178           |
| Equity instruments   | 178           | 337           |
| <b>Total financial assets at fair value through other comprehensive income</b> | <b>13,544</b> | <b>15,495</b> |

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 them in the near term.

| Amounts in millions of euros                              | 2021       | 2020       |
|---|------------|------------|
| Equity investments in foreign financial service providers | 63         | 107        |
| Equity investments held by subsidiaries                   | 91         | 174        |
| Other equity investments                                  | 24         | 56         |
| <b>Total equity instruments</b>                           | <b>178</b> | <b>337</b> |

During 2021, Rabobank recognized dividends of EUR 10 million of which EUR 0 million relates to equity investments that were derecognized in 2021. Transfers of the cumulative gains or losses within equity during the period are disclosed in Section 30 in the movement schedule of the "Revaluation Reserve – Equity Instruments at Fair Value Through Other Comprehensive Income".

## 13. Investments in Associates and Joint Ventures

| Amounts in millions of euros                              | 2021         | 2020         |
|---|--------------|--------------|
| Opening balance   | 2,183        | 2,308        |
| Foreign exchange differences                              | 41           | (55)         |
| Purchases   | 52           | 64           |
| Sales   | (214)        | (52)         |
| Share of profit of associates and joint ventures          | 334          | 188          |
| Dividends paid out (and capital repayments)               | (78)         | (45)         |
| Revaluation   | (15)         | (14)         |
| Impairment  | -            | (213)        |
| Change in accumulated impairment due to buyback of shares | (49)         | -            |
| Other   | 28           | 2            |
| <b>Total investments in associates and joint ventures</b> | <b>2,282</b> | <b>2,183</b> |

As a result of the buyback of shares by Achmea, Rabobank recognised a gain of EUR 18 million (2020: zero) disclosed in 'Other'.

### 13.1 Investments in Associates

The main associate in terms of the size of the capital interest held by Rabobank is Achmea.

| On December 31, 2021   | Shareholding | Voting rights |
|------------------------|--------------|---------------|
| <b>The Netherlands</b> |              |               |
| Achmea B.V.            | 31%          | 31%           |

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 of EUR 45 million (2020: EUR 45 million).

A combination of market related indications gave rise to a review of the recoverable amount for which a valuation assessment was conducted per December 31, 2021 and compared to the current carrying amount. The value in use assessment yields a value that approximates the carrying

value which means Rabobank did not recognise a (reversal of) impairment in 2021.

| <i>Achmea</i>                       |               |               |
|-------------------------------------|---------------|---------------|
| <i>Amounts in millions of euros</i> | <i>2021</i>   | <i>2020</i>   |
| Cash and balances at central banks  | 1,569         | 2,184         |
| Investments                         | 78,132        | 81,639        |
| Other assets                        | 9,805         | 9,832         |
| <b>Total assets</b>                 | <b>89,506</b> | <b>93,655</b> |
| Insurance related provisions        | 57,175        | 58,401        |
| Loans and funds borrowed            | 20,083        | 20,564        |
| Other liabilities                   | 1,615         | 4,131         |
| <b>Total liabilities</b>            | <b>78,873</b> | <b>83,096</b> |
| Revenues                            | 21,235        | 23,558        |
| Net profit                          | 468           | 642           |
| Other comprehensive income          | (49)          | (45)          |
| <b>Total comprehensive income</b>   | <b>419</b>    | <b>597</b>    |

| <i>Reconciliation Carrying Amount of Interest in Achmea</i> |              |              |
|---|--------------|--------------|
|   | <i>2021</i>  | <i>2020</i>  |
| Total equity Achmea   | 10,633       | 10,559       |
| Minus: hybrid capital                                       | 1,250        | 1,250        |
| Minus: preference shares and accrued dividend               | 350          | 350          |
| Shareholder's equity  | <b>9,033</b> | <b>8,959</b> |
| Share of Rabobank   | 31.14%       | 30.00%       |
|   | 2,813        | 2,687        |
| Accumulated impairment                                      | (1,281)      | (1,232)      |
| <b>Carrying amount</b>                                      | <b>1,532</b> | <b>1,455</b> |

The accumulated impairment amount has increased by the same percentage as the increase of the stake of Rabobank due to the buyback of shares by Achmea.

| <i>Result from Other Associates</i> |             |             |
|-------------------------------------|-------------|-------------|
| <i>Amounts in millions of euros</i> | <i>2021</i> | <i>2020</i> |
| Result from continuing operations   | 161         | (6)         |
| <b>Net profit</b>                   | <b>161</b>  | <b>(6)</b>  |
| Other comprehensive income          | -           | -           |
| <b>Total comprehensive income</b>   | <b>161</b>  | <b>(6)</b>  |

## 13.2 Investments in Joint Ventures

Almost all joint ventures are investments of BPD. Their total carrying amount is EUR 105 million (2020: EUR 68 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". Particular 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 2021 and 2020.

| <i>Result from Joint Ventures</i>                    |             |             |
|--|-------------|-------------|
| <i>Amounts in millions of euros</i>                  | <i>2021</i> | <i>2020</i> |
| Profit or loss from continuing operations            | 37          | 23          |
| Post-tax profit or loss from discontinued operations | -           | -           |
| <b>Net profit</b>                                    | <b>37</b>   | <b>23</b>   |
| Other comprehensive income                           | -           | -           |
| <b>Total comprehensive income</b>                    | <b>37</b>   | <b>23</b>   |

### *Contingent Liabilities to Joint Ventures*

BPD entered into commitments on December 31, 2021 with regard to real estate projects, commitments with third parties (including subcontractors and architects) for an amount of EUR 3 million (2020: EUR 4 million). The commitments regarding building sites amount to EUR 70 million (2020: EUR 74 million).

## 14. Goodwill and Other Intangible Assets

| Amounts in millions of euros             | Goodwill   | Software developed inhouse | Other intangible assets | Total      |
|--|------------|----------------------------|-------------------------|------------|
| <b>Year ended December 31, 2021</b>      |            |                            |                         |            |
| Opening balance                          | 322        | 351                        | 67                      | 740        |
| Foreign exchange differences             | -          | 4                          | 1                       | 5          |
| Additions                                | -          | 98                         | 11                      | 109        |
| Disposals                                | -          | (2)                        | (1)                     | (3)        |
| Other                                    | -          | 3                          | (10)                    | (7)        |
| Amortization                             | -          | (80)                       | (25)                    | (105)      |
| Impairments                              | -          | (61)                       | -                       | (61)       |
| <b>Closing balance</b>                   | <b>322</b> | <b>313</b>                 | <b>43</b>               | <b>678</b> |
| Cost                                     | 322        | 1,479                      | 268                     | 2,069      |
| Accumulated amortization and impairments | -          | (1,166)                    | (225)                   | (1,391)    |
| <b>Net carrying amount</b>               | <b>322</b> | <b>313</b>                 | <b>43</b>               | <b>678</b> |
| <b>Year ended December 31, 2020</b>      |            |                            |                         |            |
| Opening balance                          | 392        | 323                        | 114                     | 829        |
| Foreign exchange differences             | -          | (2)                        | (1)                     | (3)        |
| Additions                                | -          | 112                        | 17                      | 129        |
| Disposals                                | -          | (13)                       | (6)                     | (19)       |
| Other                                    | -          | 25                         | (22)                    | 3          |
| Amortization                             | -          | (84)                       | (35)                    | (119)      |
| Impairments                              | (70)       | (10)                       | -                       | (80)       |
| <b>Closing balance</b>                   | <b>322</b> | <b>351</b>                 | <b>67</b>               | <b>740</b> |
| Cost                                     | 322        | 1,438                      | 284                     | 2,044      |
| Accumulated amortization and impairments | -          | (1,087)                    | (217)                   | (1,304)    |
| <b>Net carrying amount</b>               | <b>322</b> | <b>351</b>                 | <b>67</b>               | <b>740</b> |

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 as taken from annual medium-term plans drawn up as part of the annual planning cycle is used first. 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 remaining goodwill is allocated to one of the cash-generating units in the Domestic Retail Banking segment. The carrying amount of this goodwill is EUR 322 million (2020: 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, Rabobank concluded that the goodwill allocated to this cash-generating unit was not impaired. Rabobank considers a 10% increase in the discount rate or a 10% reduction in the future cash flows to be the maximum 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 61 million (2020: EUR 10 million).

## 15. Property and Equipment

| <i>Property and equipment</i>       |              |              |
|-------------------------------------|--------------|--------------|
| <i>Amounts in millions of euros</i> | <i>2021</i>  | <i>2020</i>  |
| Land and buildings                  | 849          | 948          |
| Equipment                           | 216          | 260          |
| Operating lease assets              | 3,007        | 2,924        |
| <b>Tangible fixed assets</b>        | <b>4,072</b> | <b>4,132</b> |
| Right-of-use assets                 | 360          | 433          |
| <b>Total property and equipment</b> | <b>4,432</b> | <b>4,565</b> |

### *Tangible fixed assets*

| <i>Amounts in millions of euros</i>           | <i>Land and buildings</i> | <i>Equipment</i> | <i>Operating lease assets</i> | <i>Tangible fixed assets</i> |
|---|---------------------------|------------------|-------------------------------|------------------------------|
| <b>Year ended December 31, 2021</b>           |                           |                  |                               |                              |
| Opening balance                               | 948                       | 260              | 2,924                         | 4,132                        |
| Foreign exchange differences                  | 3                         | 3                | 156                           | 162                          |
| Purchases                                     | 11                        | 46               | 1,119                         | 1,176                        |
| Disposals                                     | -                         | (29)             | (378)                         | (407)                        |
| Transfers from investment property            | 18                        | -                | -                             | 18                           |
| Transfers to assets held for sale             | (54)                      | -                | (118)                         | (172)                        |
| Impairments                                   | (8)                       | (7)              | -                             | (15)                         |
| Reversal impairments                          | 23                        | -                | -                             | 23                           |
| Depreciation                                  | (74)                      | (76)             | -                             | (150)                        |
| Depreciation of operating lease assets        | -                         | -                | (713)                         | (713)                        |
| Other   | (18)                      | 19               | 17                            | 18                           |
| <b>Closing balance as per December 31</b>     | <b>849</b>                | <b>216</b>       | <b>3,007</b>                  | <b>4,072</b>                 |
| Cost  | 1,942                     | 783              | 4,823                         | 7,548                        |
| Accumulated depreciation and impairments      | (1,093)                   | (567)            | (1,816)                       | (3,476)                      |
| <b>Net carrying amount as per December 31</b> | <b>849</b>                | <b>216</b>       | <b>3,007</b>                  | <b>4,072</b>                 |
| <b>Year ended December 31, 2020</b>           |                           |                  |                               |                              |
| Cost  | 2,447                     | 943              | 4,705                         | 8,095                        |
| Accumulated depreciation and impairments      | (1,242)                   | (668)            | (1,591)                       | (3,501)                      |
| <b>Net carrying amount as January 1</b>       | <b>1,205</b>              | <b>275</b>       | <b>3,114</b>                  | <b>4,594</b>                 |
| 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                            |
| <b>Closing balance as per December 31</b>     | <b>948</b>                | <b>260</b>       | <b>2,924</b>                  | <b>4,132</b>                 |
| Cost  | 2,322                     | 908              | 4,583                         | 7,813                        |
| Accumulated depreciation and impairments      | (1,374)                   | (648)            | (1,659)                       | (3,681)                      |
| <b>Net carrying amount as per December 31</b> | <b>948</b>                | <b>260</b>       | <b>2,924</b>                  | <b>4,132</b>                 |

The impairments and reversal impairments recognized per December 31, 2021 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 8 million (2020: EUR 122 million). In 2021 for EUR 23 million impairments were reversed (2020: EUR 0 million).

#### Lease contracts as a lessee

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     | 2021       | 2020       |
|----------------------------------|------------|------------|
| Property-lease                   | 323        | 393        |
| Car-lease                        | 34         | 40         |
| Other leases                     | 3          | -          |
| <b>Total right-of-use assets</b> | <b>360</b> | <b>433</b> |
| <b>Total lease liabilities</b>   | <b>442</b> | <b>504</b> |

Additions to right-of-use assets during 2021 were EUR 11 million (2020: EUR 19 million). The consolidated statement of income shows the following amounts relating to leases:

| Amounts in millions of euros  | 2021      | 2020       |
|---|-----------|------------|
| Property-lease  | 79        | 85         |
| Car-lease   | 17        | 19         |
| Other leases  | 1         | 1          |
| <b>Depreciation charge of right-of-use assets</b>                             | <b>97</b> | <b>105</b> |
| Interest expense  | 16        | 18         |
| Expense relating to short-term leases   | -         | -          |
| Expense relating to leases of low-value assets                                | -         | -          |
| Expense relating to variable lease payments not included in lease liabilities | 4         | 9          |

The total cash outflow for leases in 2021 was EUR 66 million (2020: EUR 64 million).

#### Operating lease contracts as a lessor

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                           | 2021         | 2020         |
|--|--------------|--------------|
| Not exceeding 1 year                                   | 709          | 417          |
| 1 to 2 years   | 491          | 580          |
| 2 to 3 years   | 333          | 399          |
| 3 to 4 years   | 166          | 256          |
| 4 to 5 years   | 186          | 127          |
| More than 5 years                                      | 133          | 113          |
| <b>Total payments receivable from operating leases</b> | <b>2,018</b> | <b>1,892</b> |

## 16. Investment Properties

| Amounts in millions of euros                  | 2021       | 2020       |
|---|------------|------------|
| Cost  | 521        | 454        |
| Accumulated depreciation and impairments      | (71)       | (83)       |
| <b>Net carrying amount as per January 1</b>   | <b>450</b> | <b>371</b> |
| Opening balance                               | 450        | 371        |
| Purchases                                     | 10         | 46         |
| Sales   | (17)       | (5)        |
| Transfers from real estate projects           | 34         | 49         |
| Transfers to held for sale assets             | (10)       | -          |
| Transfers to land and buildings               | (18)       | -          |
| Depreciation                                  | (10)       | (8)        |
| Impairments                                   | (6)        | -          |
| Reversal impairment                           | 3          | 2          |
| Other   | 2          | (5)        |
| <b>Closing balance as per December 31</b>     | <b>438</b> | <b>450</b> |
| Cost  | 506        | 521        |
| Accumulated depreciation and impairments      | (68)       | (71)       |
| <b>Net carrying amount as per December 31</b> | <b>438</b> | <b>450</b> |

The fair value of the investment properties amounts to EUR 563 million (2020: EUR 550 million). External valuations of investment properties were performed by duly certified external parties in accordance with RICS valuation standards or other equivalent standards. The determination of the fair value of investment properties is based on the methodologies which are most appropriate for the type of property. This includes the discounted cash flow valuation method and the capitalization method based on net initial yields for comparable transactions.

| Valuations          | 2021 | 2020 |
|---------------------|------|------|
| External valuations | 75%  | 67%  |
| Internal valuations | 25%  | 33%  |

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.

## 17. Other Assets

| <i>Other Assets</i>                 |             |               |              |  |
|-------------------------------------|-------------|---------------|--------------|--|
| <i>Amounts in millions of euros</i> | <i>Note</i> | <i>2021</i>   | <i>2020</i>  |  |
| Receivables and prepayments         |             | 1,635         | 1,743        |  |
| Accrued interest                    |             | 917           | 618          |  |
| Commodities and warehouse receipts  |             | 4,590         | 2,590        |  |
| Real estate projects                |             | 2,047         | 1,637        |  |
| Accrued income                      |             | 416           | 433          |  |
| Employee benefits                   | 27          | 3             | 3            |  |
| Government grants                   |             | 334           | -            |  |
| Other assets                        |             | 224           | 484          |  |
| <b>Total other assets</b>           |             | <b>10,166</b> | <b>7,508</b> |  |

| <i>Real Estate Projects</i>         |              |              |  |
|-------------------------------------|--------------|--------------|--|
| <i>Amounts in millions of euros</i> | <i>2021</i>  | <i>2020</i>  |  |
| Building sites                      | 1,533        | 1,372        |  |
| Work in progress                    | 507          | 250          |  |
| Finished properties                 | 7            | 15           |  |
| <b>Total real estate projects</b>   | <b>2,047</b> | <b>1,637</b> |  |

In 2021 the net realisable value of all current building sites not subject to a zoning plan was calculated and compared with the carrying amount. This resulted in an addition of provisions of EUR 24 million (2020: addition of EUR 4 million).

| <i>Movements in Provisions for Real Estate Projects</i> |                                   |                           |                                   |                                     |
|---|-----------------------------------|---------------------------|-----------------------------------|-------------------------------------|
| <i>Amounts in millions of euros</i>                     | <i>Balance on January 1, 2021</i> | <i>Additions/ release</i> | <i>Withdrawals/ other changes</i> | <i>Balance on December 31, 2021</i> |
| Building sites  | 392                               | 5                         | (59)                              | 338                                 |
| Work in progress  | 11                                | 3                         | -                                 | 14                                  |
| Finished properties                                     | 12                                | -                         | (10)                              | 2                                   |
| <b>Total</b>  | <b>415</b>                        | <b>8</b>                  | <b>(69)</b>                       | <b>354</b>                          |

| <i>Amounts in millions of euros</i> | <i>Balance on January 1, 2020</i> | <i>Additions/ release</i> | <i>Withdrawals/ other changes</i> | <i>Balance on December 31, 2020</i> |
|-------------------------------------|-----------------------------------|---------------------------|-----------------------------------|-------------------------------------|
| Building sites                      | 374                               | 4                         | 14                                | 392                                 |
| Work in progress                    | 58                                | 3                         | (50)                              | 11                                  |
| Finished properties                 | 4                                 | -                         | 8                                 | 12                                  |
| <b>Total</b>                        | <b>436</b>                        | <b>7</b>                  | <b>(28)</b>                       | <b>415</b>                          |

### *Work in Progress*

| <i>Amounts in millions of euros</i>                        | <i>2021</i> | <i>2020</i> |
|--|-------------|-------------|
| Residential property in preparation and under construction | 1,334       | 1,059       |
| Commercial property in development and under construction  | 4           | -           |
| Instalments invoiced in advance – residential property     | (830)       | (809)       |
| Instalments invoiced in advance – commercial property      | (1)         | -           |
| <b>Total work in progress</b>                              | <b>507</b>  | <b>250</b>  |

## 18. Non-Current Assets Held for Sale

The non-current assets held for sale amount to EUR 73 million (2020: EUR 52 million) and include various types of real estate in the segments Domestic Retail Banking and Property Development for an amount of EUR 45 million. The carrying values are expected to be realized through sale rather than through continuing use.

## 19. Deposits from Credit Institutions

| <i>Amounts in millions of euros</i>            | <i>2021</i>   | <i>2020</i>   |
|--|---------------|---------------|
| Demand deposits                                | 1,068         | 1,068         |
| Fixed-term deposits                            | 16,219        | 19,073        |
| Repurchase agreements                          | 181           | 439           |
| Monetary instruments of central banks          | 55,527        | 40,518        |
| Other deposits from credit institutions        | 13            | 64            |
| <b>Total deposits from credit institutions</b> | <b>73,008</b> | <b>61,162</b> |

## 20. Deposits from Customers

| <i>Amounts in millions of euros</i>  | <i>2021</i>    | <i>2020</i>    |
|--------------------------------------|----------------|----------------|
| Current accounts                     | 126,606        | 107,706        |
| Deposits with agreed maturity        | 61,011         | 56,411         |
| Deposits redeemable at notice        | 183,581        | 190,699        |
| Repurchase agreements                | 527            | 550            |
| Fiduciary deposits                   | 306            | 5,570          |
| Other deposits from customers        | -              | 92             |
| <b>Total deposits from customers</b> | <b>372,031</b> | <b>361,028</b> |

Non-monetary instruments from central banks amounting to EUR 16 billion (2020: EUR 12 billion) are included in "Deposits with agreed maturity".

## 21. Debt Securities in Issue

| Amounts in millions of euros          | 2021           | 2020           |
|---------------------------------------|----------------|----------------|
| Certificates of deposit               | 16,809         | 16,421         |
| Commercial paper                      | 8,504          | 6,740          |
| Issued bonds                          | 64,528         | 77,156         |
| Other debt securities                 | 18,868         | 13,204         |
| <b>Total debt securities in issue</b> | <b>108,709</b> | <b>113,521</b> |

## 22. 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 1,419 million (2020: EUR 998 million).

## 23. Financial Liabilities Designated at Fair Value

| Amounts in millions of euros                                | 2021         | 2020         |
|---|--------------|--------------|
| Debt securities issued                                      | 3,073        | 4,382        |
| Deposits  | 744          | 793          |
| <b>Total financial liabilities designated at fair value</b> | <b>3,817</b> | <b>5,175</b> |

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 173 million (2020: EUR 145 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 30 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 77 million (2020: EUR 61 million) lower than the amount Rabobank is contractually obliged to repay to the holders of the structured notes.

## 24. Other Liabilities

| Amounts in millions of euros   | Note               | 2021         | 2020         |
|--------------------------------|--------------------|--------------|--------------|
| Payables                       |                    | 4,547        | 4,452        |
| Accrued interest               |                    | 1,178        | 1,559        |
| Lease liabilities              |                    | 442          | 504          |
| Employee benefits              | <a href="#">27</a> | 219          | 221          |
| Other                          |                    | 39           | (89)         |
| <b>Total other liabilities</b> |                    | <b>6,425</b> | <b>6,647</b> |

## 25. Provisions

| Amounts in millions of euros                                       | Note                  | 2021         | 2020       |
|--|-----------------------|--------------|------------|
| Restructuring provision  |                       | 145          | 292        |
| Provision for legal issues   |                       | 413          | 84         |
| Impairment allowances on loan commitments and financial guarantees | <a href="#">4.3.4</a> | 108          | 142        |
| Other provisions   |                       | 406          | 101        |
| <b>Total provisions</b>  |                       | <b>1,072</b> | <b>619</b> |

| Amounts in millions of euros                | Restructuring provision | Provision for legal issues | Other provisions | Total      |
|---|-------------------------|----------------------------|------------------|------------|
| Opening balance on January 1, 2021          | 292                     | 84                         | 101              | 477        |
| Additions                                   | 67                      | 355                        | 323              | 745        |
| Withdrawals                                 | (49)                    | (16)                       | (26)             | (91)       |
| Releases                                    | (165)                   | (10)                       | (28)             | (203)      |
| Transfer from other liabilities             | -                       | -                          | 36               | 36         |
| <b>Closing balance on December 31, 2021</b> | <b>145</b>              | <b>413</b>                 | <b>406</b>       | <b>964</b> |
| 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)      |
| <b>Closing balance on December 31, 2020</b> | <b>292</b>              | <b>84</b>                  | <b>101</b>       | <b>477</b> |

For additional information regarding the additions to the provision for legal issues and to the other provisions, see Section 4.10, "Legal and arbitration proceedings".

### Maturities of Provisions

| Amounts in millions of euros             | 2021         | 2020       |
|--|--------------|------------|
| Not exceeding one year                   | 691          | 370        |
| Longer than 1 year but less than 5 years | 377          | 242        |
| Longer than 5 years                      | 4            | 7          |
| <b>Total</b>                             | <b>1,072</b> | <b>619</b> |

## 26. 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, 2021, Rabobank expects that sufficient taxable profits will be generated within the applicable periods.

No deferred tax asset has been recognized for unused tax losses totaling EUR 453 million (2020: EUR 756 million) of which EUR 147 million (2020: EUR 82 million) relates to tax losses with an infinite expiry date and EUR 306 million (2020: EUR 674 million) to city and state tax losses in the U.S. with an ultimate expiry date in 2035. The tax effect of these unused tax losses amounts to EUR 63 million (2020: EUR 66 million).

The amount of income tax recognised as deferred tax and relating to components of other comprehensive income is disclosed in the following table. The current tax liability relating to foreign currency translation of foreign currency branches that is recognised in other comprehensive income per December, 31, 2021 is EUR 79 million (2020: -120 million).

|   | Deferred tax assets | Deferred tax liabilities | Deferred tax charges | Tax on other comprehensive income |
|---|---------------------|--------------------------|----------------------|-----------------------------------|
| <i>Amounts in millions of euros</i>   |                     |                          |                      |                                   |
| <b>On December 31, 2021</b>   |                     |                          |                      |                                   |
| Pensions and other post-employment benefits   | 37                  | -                        | (2)                  | (1)                               |
| Impairment allowances on financial assets   | 160                 | (14)                     | 127                  | -                                 |
| Provisions  | 23                  | -                        | 3                    | -                                 |
| Hedge accounting  | 220                 | -                        | (29)                 | -                                 |
| Carry forward losses  | 152                 | (17)                     | (2)                  | -                                 |
| Tax credits   | 3                   | (4)                      | (3)                  | -                                 |
| Goodwill and other intangible assets  | -                   | -                        | -                    | -                                 |
| Revaluation reserves for financial assets at fair value through other comprehensive income                        | (5)                 | -                        | -                    | (60)                              |
| Revaluation reserves – Cash flow hedges   | 2                   | -                        | -                    | 11                                |
| Revaluation reserves – Costs of hedging   | (27)                | -                        | -                    | 15                                |
| Revaluation reserve – Fair value changes due to own credit risk on financial liabilities designated at fair value | 45                  | -                        | -                    | (9)                               |
| Property and equipment, including operating leases  | 100                 | 307                      | (107)                | -                                 |
| Other temporary differences   | 93                  | 71                       | (25)                 | -                                 |
| <b>Total</b>  | <b>803</b>          | <b>343</b>               | <b>(38)</b>          | <b>(44)</b>                       |
| <i>Amounts in millions of euros</i>   |                     |                          |                      |                                   |
| <b>On December 31, 2020</b>   |                     |                          |                      |                                   |
| 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                   | -                                 |
| <b>Total</b>  | <b>849</b>          | <b>430</b>               | <b>(217)</b>         | <b>9</b>                          |

## 27. Employee Benefits

| Amounts in millions of euros    | 2021       | 2020       |
|---------------------------------|------------|------------|
| Employee benefits – assets      | (3)        | (3)        |
| Employee benefits – liabilities | 219        | 221        |
| <b>Total employee benefits</b>  | <b>216</b> | <b>218</b> |
| Pension plans                   | 115        | 128        |
| Other employee benefits         | 101        | 90         |
| <b>Total employee benefits</b>  | <b>216</b> | <b>218</b> |

### 27.1 Pension Plans

Rabobank has placed its Dutch pension scheme 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 years 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, 2021, 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 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 2021. 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 the former Friesland Bank.

| Amounts in millions of euros          | 2021       | 2020       |
|---------------------------------------|------------|------------|
| Defined benefit obligation            | 548        | 569        |
| Fair value of plan assets             | 433        | 441        |
| <b>Net defined benefit obligation</b> | <b>115</b> | <b>128</b> |

Movements in plan assets and liabilities:

| Amounts in millions of euros   | 2021       | 2020       |
|--|------------|------------|
| <b>Defined benefit obligation</b>  |            |            |
| Opening balance  | 569        | 545        |
| Exchange rate differences  | 11         | (8)        |
| Interest expense   | 4          | 6          |
| Benefits paid  | (15)       | (15)       |
| Plan amendment   | -          | (9)        |
| Other  | 2          | 9          |
| Experience adjustments   | 5          | (2)        |
| Actuarial gains and losses arising from changes in demographic assumptions | 3          | -          |
| Actuarial gains and losses arising from changes in financial assumptions   | (31)       | 43         |
| <b>Defined benefit obligation on December 31</b>                           | <b>548</b> | <b>569</b> |
| <b>Fair value of plan assets</b>   |            |            |
| Opening balance  | 441        | 427        |
| Exchange rate differences  | 6          | (5)        |
| Interest income  | 2          | 4          |
| Contributions paid by employer   | 11         | 10         |
| Benefits paid  | (15)       | (13)       |
| Other  | 2          | -          |
| Experience adjustments   | 8          | 1          |
| Remeasurements arising from changes in financial assumptions plan assets   | (22)       | 17         |
| <b>Fair value of plan assets on December 31</b>                            | <b>433</b> | <b>441</b> |

The costs recognized in profit and loss are shown in the table below.

| Amounts in millions of euros                          | 2021     | 2020     |
|---|----------|----------|
| Interest expense on liabilities                       | 4        | 6        |
| Interest income on plan assets                        | (2)      | (4)      |
| Losses/(gains) on curtailments, settlements and costs | -        | (2)      |
| <b>Total cost of defined benefit pension plans</b>    | <b>2</b> | <b>-</b> |

### 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):

|                  | 2021 | 2020 |
|------------------|------|------|
| Discount rate    | 0.8% | 0.4% |
| Salary increases | 2.0% | 1.3% |
| Price inflation  | 2.0% | 1.3% |

### Sensitivity Analysis

Rabobank is exposed to risks regarding its 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 |      |
|------------------------------|----------------------|--|------|--|------|
|                              |                      | 2021   | 2020 | 2021   | 2020 |
| Discount rate                | 0.25%                | (14)   | (16) | 15   | 17   |
| Salary increases             | 0.25%                | 2  | 3    | (2)  | (3)  |
| Price inflation              | 0.25%                | -  | -    | -  | -    |
| Mortality                    | 1 year               | 15   | 17   | (15)   | (17) |

### Estimated Contribution

The estimated contributions to defined benefit pension plans for 2022 are approximately EUR 5 million (2020: EUR 9 million).

### Average Duration

The average duration of the defined benefit plan of the former Friesland Bank is 16 years (2020: 17 years).

## 27.2 Other Employee Benefits

Other employee benefits mainly consist of liabilities for future long-service awards.

## 28. Subordinated Liabilities

| Amounts in millions of euros          | 2021         | 2020          |
|---------------------------------------|--------------|---------------|
| Issued by Rabobank                    | 9,880        | 13,486        |
| <b>Total subordinated liabilities</b> | <b>9,880</b> | <b>13,486</b> |

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                            |
| 50,800                | JPY      | 1.429% | 2014             | 2024                            |
| 588                   | EUR      | 3.875% | 2013             | 2023                            |
| 545                   | USD      | 4.625% | 2013             | 2023                            |
| 1,250                 | USD      | 5.75%  | 2013             | 2043                            |
| 706                   | EUR      | 4.125% | 2012             | 2022                            |
| 500                   | GBP      | 5.25%  | 2012             | 2027                            |
| 678                   | USD      | 3.95%  | 2012             | 2022                            |
| 10                    | EUR      | 4.21%  | 2005             | 2025                            |
| 10                    | EUR      | 5.32%  | 2004             | 2024                            |

## 29. 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                 | 2021          | 2020          |
|--|---------------|---------------|
| Financial guarantees                         | 3,868         | 3,381         |
| Loan commitments                             | 45,625        | 41,877        |
| Other commitments                            | 20,634        | 20,069        |
| <b>Credit related contingent liabilities</b> | <b>70,127</b> | <b>65,327</b> |



### Contingent Liabilities Related to Litigation

Rabobank is involved in a number of legal and arbitration proceedings in the Netherlands and other countries 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".

### Other Contingent Liabilities

The contractual commitments relating to the acquisition, construction and development of work in progress and investment properties amount to EUR 710 million (2020: EUR 559 million).

## 30. Reserves and Retained Earnings

| Amounts in millions of euros  | 2021          | 2020          |
|---|---------------|---------------|
| Foreign currency translation reserves   | (887)         | (1,412)       |
| Revaluation reserve – Financial assets at fair value through other comprehensive income                           | 136           | 321           |
| Revaluation reserve – Cash flow hedges  | (14)          | (47)          |
| Revaluation reserve – Costs of hedging  | 78            | 36            |
| Revaluation reserve – Assets held for sale  | -             | -             |
| Remeasurement reserve – Pensions  | (173)         | (171)         |
| Revaluation reserve – Fair value changes due to own credit risk on financial liabilities designated at fair value | (130)         | (109)         |
| Retained earnings   | 32,087        | 29,234        |
| <b>Total reserves and retained earnings at year-end</b>   | <b>31,097</b> | <b>27,852</b> |

Changes in the reserves were as follows:

| Amounts in millions of euros  | 2021         | 2020           |
|---|--------------|----------------|
| <b>Foreign currency translation reserves</b>  |              |                |
| Opening balance   | (1,412)      | (742)          |
| Translation of foreign operations   | 548          | (978)          |
| Changes in hedging instrument   | (11)         | 278            |
| Changes at associates and joint ventures  | (13)         | (13)           |
| Transferred to profit or loss   | 1            | 43             |
| <b>Closing balance</b>  | <b>(887)</b> | <b>(1,412)</b> |
| <b>Revaluation reserves – Debt instruments at fair value through other comprehensive income</b>   |              |                |
| Opening balance   | 165          | 131            |
| Foreign exchange differences  | 1            | (12)           |
| Changes at associates and joint ventures  | 4            | (10)           |
| Fair value changes  | (56)         | 149            |
| Transferred to profit or loss   | (100)        | (93)           |
| <b>Closing balance</b>  | <b>14</b>    | <b>165</b>     |
| <b>Revaluation reserves – Equity instruments at fair value through other comprehensive income</b> |              |                |
| Opening balance   | 156          | 177            |
| Foreign exchange differences  | -            | -              |

| Amounts in millions of euros             | 2021       | 2020       |
|--|------------|------------|
| Changes at associates and joint ventures | -          | -          |
| Fair value changes                       | (65)       | (15)       |
| Transferred to retained earnings         | 31         | (3)        |
| Other                                    | -          | (3)        |
| <b>Closing balance</b>                   | <b>122</b> | <b>156</b> |

#### Revaluation reserve – Cash flow hedges

|                               |             |             |
|-------------------------------|-------------|-------------|
| Opening balance               | (47)        | (26)        |
| Foreign exchange differences  | 41          | (62)        |
| Fair value changes            | (11)        | 37          |
| Transferred to profit or loss | 3           | 4           |
| <b>Closing balance</b>        | <b>(14)</b> | <b>(47)</b> |

#### Revaluation reserve – Costs of hedging

|                               |           |           |
|-------------------------------|-----------|-----------|
| Opening balance               | 36        | 46        |
| Foreign exchange differences  | (4)       | -         |
| Fair value changes            | 46        | (10)      |
| Transferred to profit or loss | -         | -         |
| <b>Closing balance</b>        | <b>78</b> | <b>36</b> |

#### Revaluation reserve – Assets held for sale

|                        |          |          |
|------------------------|----------|----------|
| Opening balance        | -        | (26)     |
| Disposal of assets     | -        | 26       |
| <b>Closing balance</b> | <b>-</b> | <b>-</b> |

#### Remeasurement reserve – Pensions

|  |              |              |
|--|--------------|--------------|
| Opening balance                          | (171)        | (170)        |
| Foreign exchange differences             | (5)          | -            |
| Changes at associates and joint ventures | (6)          | 9            |
| Remeasurements defined benefit plans     | 9            | (10)         |
| <b>Closing balance</b>                   | <b>(173)</b> | <b>(171)</b> |

#### Revaluation reserve – Fair value changes due to own credit risk on financial liabilities designated at fair value

|                              |              |              |
|------------------------------|--------------|--------------|
| Opening balance              | (109)        | (143)        |
| Fair value changes           | (22)         | 35           |
| Realization at derecognition | 1            | (1)          |
| <b>Closing balance</b>       | <b>(130)</b> | <b>(109)</b> |

#### Retained earnings

|   |               |               |
|---|---------------|---------------|
| Opening balance   | 29,234        | 28,910        |
| Net profit  | 3,596         | 1,055         |
| Payments on equity instruments  | (687)         | (234)         |
| Redemption of Capital Securities  | (27)          | (120)         |
| Distribution in the form of Rabobank Certificates                             | -             | (376)         |
| Disposal of financial assets at fair value through other comprehensive income | (31)          | -             |
| Other   | 2             | (1)           |
| <b>Closing balance</b>  | <b>32,087</b> | <b>29,234</b> |
| <b>Total reserves and retained earnings</b>                                   | <b>31,097</b> | <b>27,852</b> |

## 31. Rabobank Certificates

Rabobank Certificates represent participation rights issued by Rabobank via the foundation Stichting Administratie Kantoer Rabobank Certificaten (AK Foundation) and belong to Rabobank's Common Equity Tier 1 capital. Rabobank Certificates are listed on Euronext Amsterdam.

The total number of certificates is 313,005,461 with a nominal value of EUR 25 each. Rabobank's actual payment policy 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.

As a result of the announcement by the ECB that it would not extend the recommendation to limit dividend distributions beyond September 30, 2021, Rabobank made an exceptional quarterly distribution of EUR 1.21478 per Rabobank Certificate on December 29, 2021 and reiterated its intention to revert to its payment policy thereafter.

The cash distribution paid per certificate in 2021 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                      | 2021         | 2020         |
|---|--------------|--------------|
| Changes during the year:                          |              |              |
| Opening balance                                   | 7,822        | 7,449        |
| Distribution in the form of Rabobank Certificates | -            | 376          |
| Change in Rabobank Certificates during the year   | 3            | (3)          |
| <b>Closing balance</b>                            | <b>7,825</b> | <b>7,822</b> |

Securities are perpetual and first redeemable on June 29, 2028. As of June 29, 2028, 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 + 3.234%. 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. These 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. These 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. These 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.

## 32. 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:

### **32.1 Capital Securities Issued by Rabobank**

#### **Issue of EUR 750 million**

Rabobank issued Capital Securities for an amount of EUR 750 million. The coupon is 3.10% per year and was made payable semi-annually in arrears as of the issue date (April 21, 2021) for the first time on June 29, 2021. These Capital

### **32.2 Capital Securities Issued by Rabobank That Were Redeemed During the Reporting Year**

#### **Issue of EUR 1,250 Million**

Rabobank issued the EUR 1,250 million Capital Securities on April 16, 2016. In accordance with the Terms and Conditions of these Capital Securities, Rabobank redeemed these Capital Securities on the first call date, of June 29, 2021.

#### **Issue of GBP 250 Million**

Rabobank issued the GBP 250 million on June 10, 2008. In accordance with the Terms and Conditions of the Capital Securities, Rabobank has determined that, as of 5 November 2021 a Capital Event has occurred and is continuing. Rabobank has redeemed all the outstanding Capital Securities on

4 January 2022 (the "Redemption Date"). As per December 31, 2021 the remaining Capital Securities were classified as a financial liability.

### 33. Non-Controlling Interests

This item relates to shares held by non-controlling parties in Rabobank subsidiaries.

| Amounts in millions of euros                      | 2021       | 2020       |
|---|------------|------------|
| Opening balance                                   | 476        | 477        |
| Net profit  | 96         | 41         |
| Exchange rate differences                         | 17         | (34)       |
| Entities included in consolidation/deconsolidated | -          | (2)        |
| Dividends   | (87)       | (5)        |
| Other   | -          | (1)        |
| <b>Closing balance</b>                            | <b>502</b> | <b>476</b> |

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 76 million (2020: EUR 72 million). The following financial data apply:

| <i>Cargobull Holding B.V.</i>                    |          |           |
|--|----------|-----------|
| Amounts in millions of euros                     | 2021     | 2020      |
| Revenues   | 28       | 46        |
| Net profit                                       | 7        | 12        |
| Other comprehensive income                       | -        | -         |
| <b>Total comprehensive income</b>                | <b>7</b> | <b>12</b> |
| Profit attributable to non-controlling interests | 3        | 6         |
| Dividends paid to non-controlling interests      | -        | -         |
| Financial assets                                 | 358      | 525       |
| Other assets                                     | 74       | 97        |
| Financial liabilities                            | 258      | 452       |
| Other liabilities                                | 19       | 24        |

AGCO Finance SNC is located in Beauvais, France, and Rabobank has a capital and voting right interest of 51%. The non-controlling interests with regard to this entity amount to EUR 111 million (2020: EUR 107 million). The following financial data apply:

#### *AGCO Finance SNC*

| Amounts in millions of euros                     | 2021      | 2020      |
|--|-----------|-----------|
| Revenues   | 45        | 43        |
| Net profit                                       | 29        | 19        |
| Other comprehensive income                       | -         | -         |
| <b>Total comprehensive income</b>                | <b>29</b> | <b>19</b> |
| Profit attributable to non-controlling interests | 14        | 9         |
| Dividends paid to non-controlling interests      | 10        | -         |
| Financial assets                                 | 1,967     | 1,942     |
| Other assets                                     | 4         | 1         |
| Financial liabilities                            | 1,684     | 1,663     |
| Other liabilities                                | 60        | 62        |

### 34. Changes in Liabilities Arising from Financing Activities

| Amounts in millions of euros                | Debt securities in issue | Subordinated liabilities | Total          |
|---|--------------------------|--------------------------|----------------|
| <b>Year ended December 31, 2021</b>         |                          |                          |                |
| Opening balance                             | 113,521                  | 13,486                   | 127,007        |
| Changes from financing cash flows           | (7,037)                  | (4,288)                  | (11,325)       |
| Effect of changes in foreign exchange rates | 3,414                    | 599                      | 4,013          |
| Other non-cash changes                      | (1,189)                  | 83                       | (1,106)        |
| <b>Closing balance</b>                      | <b>108,709</b>           | <b>9,880</b>             | <b>118,589</b> |
| <b>Year ended December 31, 2020</b>         |                          |                          |                |
| 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            |
| <b>Closing balance</b>                      | <b>113,521</b>           | <b>13,486</b>            | <b>127,007</b> |

## 35. Net Interest Income

| Amounts in millions of euros   | 2021          | 2020 <sup>1</sup> |
|--|---------------|-------------------|
| <b>Interest income</b>   |               |                   |
| Cash and cash equivalents  | 61            | 110               |
| Loans and advances to credit institutions  | 99            | 79                |
| Loans and advances to customers  | 11,593        | 12,779            |
| Derivatives used for fair value hedge-accounting                                 | 199           | 187               |
| Financial assets at fair value through other comprehensive income                | 99            | 207               |
| <b>Interest income from financial assets using the effective interest method</b> | <b>12,051</b> | <b>13,362</b>     |
| Financial assets held for trading  | 31            | 30                |
| Financial assets mandatorily at fair value                                       | 14            | 22                |
| Interest income on financial liabilities with a negative interest rate           | 1,083         | 269               |
| Other  | 84            | 93                |
| <b>Other interest income</b>   | <b>1,212</b>  | <b>414</b>        |
| <b>Total interest income</b>   | <b>13,263</b> | <b>13,776</b>     |
| <b>Interest expense</b>  |               |                   |
| Deposits from credit institutions  | 77            | 117               |
| Deposits from customers  | 1,321         | 1,691             |
| Debt securities in issue   | 1,487         | 2,034             |
| Financial liabilities held for trading   | 16            | 7                 |
| Derivatives held as economic hedges  | 811           | 785               |
| Financial liabilities designated at fair value                                   | 119           | 139               |
| Subordinated liabilities   | 566           | 661               |
| Interest expense on financial assets with a negative interest rate               | 454           | 315               |
| Other  | 61            | 30                |
| <b>Total interest expense</b>  | <b>4,912</b>  | <b>5,779</b>      |
| <b>Net interest income</b>   | <b>8,351</b>  | <b>7,997</b>      |

1 Presentation adjusted, see Section 2.1.

Capitalized interest attributable to qualifying assets amounted to EUR 17 million (2020: EUR 17 million). The average interest rate applied in determining interest charges to be capitalized ranged between 0.9% and 4% (2020: between 1% and 4%). The interest income on credit-impaired financial assets accrued is EUR 267 million (2020: EUR 344 million). In the interest income on financial liabilities with a negative interest rate, an amount of EUR 602 million is included from the TLTRO III program which includes EUR 334 million for the government grant.

## 36. Net Fee and Commission Income

| Amounts in millions of euros                                  | 2021         | 2020         |
|---|--------------|--------------|
| <b>Fee and commission income</b>                              |              |              |
| Payment services  | 829          | 725          |
| Lending   | 437          | 417          |
| Purchase and sale of other financial assets and handling fees | 364          | 301          |
| Insurance commissions   | 382          | 369          |
| Investment management   | 1            | 1            |
| Lease-related fee   | 60           | 55           |
| Other commission income                                       | 228          | 211          |
| <b>Total fee and commission income</b>                        | <b>2,301</b> | <b>2,079</b> |
| <b>Fee and commission expense</b>                             |              |              |
| Payment services  | 181          | 201          |
| Purchase and sale of other financial assets and handling fees | 53           | 45           |
| Custodial fees and securities services                        | 11           | 9            |
| Other commission expense                                      | 48           | 44           |
| <b>Total fee and commission expense</b>                       | <b>293</b>   | <b>299</b>   |
| <b>Net fee and commission income</b>                          | <b>2,008</b> | <b>1,780</b> |

## 37. Net Income from Other Operating Activities

| Amounts in millions of euros                        | 2021       | 2020       |
|---|------------|------------|
| Income from real estate activities                  | 1,575      | 1,354      |
| Expenses from real estate activities                | 1,233      | 1,066      |
| <b>Net income real estate activities</b>            | <b>342</b> | <b>288</b> |
| Income from operational lease activities            | 960        | 914        |
| Expenses from operational lease activities          | 719        | 734        |
| <b>Net income from operational lease activities</b> | <b>241</b> | <b>180</b> |
| Income from investment property                     | 32         | 26         |
| Expenses from investment property                   | 11         | 14         |
| <b>Net income from investment property</b>          | <b>21</b>  | <b>12</b>  |
| <b>Net income from other operating activities</b>   | <b>604</b> | <b>480</b> |

All expenses from investment properties relate to properties that are leased.

## 38. Income from Investments in Associates and Joint Ventures

| Amounts in millions of euros  | 2021       | 2020       |
|---|------------|------------|
| Rabobanks share of profit of investments in associates and joint ventures | 334        | 188        |
| Result on disposal of investments in associates and joint ventures        | -          | -          |
| <b>Income from investments in associates and joint ventures</b>           | <b>334</b> | <b>188</b> |

## 39. Gains/ (Losses) on Financial Assets and Liabilities at Fair Value through Profit or Loss

| Amounts in millions of euros  | 2021       | 2020 <sup>1</sup> |
|---|------------|-------------------|
| Gains/ (losses) on financial assets and liabilities held for trading and from derivatives held for trading  | 370        | (55)              |
| Gains/ (losses) on financial assets mandatorily at fair value through profit or loss  | 350        | 58                |
| Gains/ (losses) on financial liabilities designated at fair value and derivatives used to hedge the interest rate risk of those financial liabilities | (44)       | (16)              |
| <b>Total gains/ (losses) on financial assets and liabilities at fair value through profit or loss</b>   | <b>676</b> | <b>(13)</b>       |

1 Presentation adjusted, see Section 2.1.

Gains/ (losses) on 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 2 million (2020: EUR -10 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  | 2021       | 2020        |
|---|------------|-------------|
| Gains/ (losses) on interest rate instruments  | (140)      | 471         |
| Gains/ (losses) on equity instruments   | 410        | (42)        |
| Gains/ (losses) on foreign currency instruments   | 395        | (458)       |
| Translation gains/ (losses) on foreign currency   | 33         | (20)        |
| Other   | (22)       | 36          |
| <b>Gains/ (losses) on financial assets and liabilities at fair value through profit or loss</b> | <b>676</b> | <b>(13)</b> |

## 40. Other Income

| Amounts in millions of euros  | 2021      | 2020       |
|---|-----------|------------|
| Gains/ (losses) arising from the derecognition of financial liabilities at amortised cost | (124)     | 3          |
| Result on sale of group companies   | 8         | 19         |
| Other   | 179       | 198        |
| <b>Other income</b>   | <b>63</b> | <b>220</b> |

## 41. Staff Costs

| Amounts in millions of euros                            | 2021         | 2020         |
|---|--------------|--------------|
| Wages and salaries                                      | 2,821        | 2,656        |
| Social security contributions and insurance costs       | 286          | 277          |
| Pension costs - defined contribution plans              | 430          | 403          |
| Pension costs - defined benefit pension plans           | 2            | -            |
| Training and traveling expenses                         | 79           | 96           |
| Addition/ (release) of other post-employment provisions | 3            | 52           |
| Other staff costs                                       | 1,036        | 1,200        |
| <b>Staff costs</b>                                      | <b>4,657</b> | <b>4,684</b> |

Expressed in FTEs, the number of internal and external employees in Rabobank was 43,361 (2020: 43,272).

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 EUR 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 recognized 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, 2021, the costs of equity instrument-based payments were EUR 13 million (2020: EUR 9 million) and a liability of EUR 26 million was recognized (2020: EUR 27 million) of which EUR 13 million (2020: EUR 9 million) was vested. The costs of variable remuneration paid in cash were EUR 200 million (2020: EUR 138 million). The number of outstanding DRNs is presented in the following table.

| <i>in thousands</i>        | <i>2021</i>  | <i>2020</i>  |
|----------------------------|--------------|--------------|
| Opening balance            | 1,165        | 1,433        |
| Awarded during the year    | 425          | 291          |
| Paid during the year       | (563)        | (525)        |
| Changes from previous year | (12)         | (34)         |
| <b>Closing balance</b>     | <b>1,015</b> | <b>1,165</b> |

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.

| <i>On December 31, 2021</i>           |              |             | <i>Year of payment</i> |             |             |             |             |              |
|---------------------------------------|--------------|-------------|------------------------|-------------|-------------|-------------|-------------|--------------|
| <i>Amounts in millions of euros</i>   | <i>2022</i>  | <i>2023</i> | <i>2024</i>            | <i>2025</i> | <i>2026</i> | <i>2027</i> | <i>2028</i> | <i>Total</i> |
| Variable remuneration, excluding DRNs | 202.8        | 6.0         | 2.8                    | 2.8         | 1.6         | 0.1         | -           | 216.1        |
| DRNs                                  | 10.5         | 12.8        | 4.0                    | 2.5         | 2.5         | 1.6         | 0.1         | 34.0         |
| <b>Total</b>                          | <b>213.3</b> | <b>18.8</b> | <b>6.8</b>             | <b>5.3</b>  | <b>4.1</b>  | <b>1.7</b>  | <b>0.1</b>  | <b>250.1</b> |

| <i>On December 31, 2020</i>           |              |             | <i>Year of payment</i> |             |             |             |             |              |
|---------------------------------------|--------------|-------------|------------------------|-------------|-------------|-------------|-------------|--------------|
| <i>Amounts in millions of euros</i>   | <i>2021</i>  | <i>2022</i> | <i>2023</i>            | <i>2024</i> | <i>2025</i> | <i>2026</i> | <i>2027</i> | <i>Total</i> |
| 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         |
| <b>Total</b>                          | <b>154.2</b> | <b>15.8</b> | <b>8.6</b>             | <b>6.0</b>  | <b>2.1</b>  | <b>0.9</b>  | <b>0.0</b>  | <b>187.6</b> |



## 42. Other Administrative Expenses

| Amounts in millions of euros                                   | 2021         | 2020         |
|--|--------------|--------------|
| Additions and releases of provisions                           | 542          | 120          |
| IT expenses and software costs                                 | 387          | 365          |
| Consultants fees   | 419          | 375          |
| Publicity expenses   | 87           | 92           |
| Result on derecognition and impairments on (in)tangible assets | 56           | 124          |
| Other expenses   | 544          | 387          |
| <b>Other administrative expenses</b>                           | <b>2,035</b> | <b>1,463</b> |

The other expenses in 2020 were impacted by a VAT relief.

## 43. Depreciation and Amortization

| Amounts in millions of euros          | 2021       | 2020       |
|---------------------------------------|------------|------------|
| Depreciation of tangible fixed assets | 150        | 171        |
| Depreciation of right-of-use assets   | 97         | 105        |
| Amortization of intangible assets     | 105        | 119        |
| <b>Depreciation and amortization</b>  | <b>352</b> | <b>395</b> |

## 44. Impairment Charges on Financial Assets

| Amounts in millions of euros                                      | 2021         | 2020         |
|---|--------------|--------------|
| Loans and advances to customers and credit institutions           | (333)        | 2,034        |
| Financial assets at fair value through other comprehensive income | 1            | -            |
| Recoveries following write-off                                    | (107)        | (103)        |
| Loan commitments and financial guarantees                         | (35)         | (18)         |
| <b>Impairment charges on financial assets</b>                     | <b>(474)</b> | <b>1,913</b> |

## 45. 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        | 2021       | 2020       |
|-------------------------------------|------------|------------|
| Bank tax Netherlands                | 214        | 136        |
| Bank tax other countries            | 9          | 10         |
| Contribution Single Resolution Fund | 272        | 225        |
| Contribution Deposit Guarantee Fund | 227        | 177        |
| <b>Regulatory levies</b>            | <b>722</b> | <b>548</b> |

## 46. Income Tax

| Amounts in millions of euros                      | 2021         | 2020       |
|---|--------------|------------|
| <b>Income tax</b>                                 |              |            |
| Reporting period                                  | 1,182        | 693        |
| Adjustments of previous years                     | 43           | (73)       |
| Recognition of previously unrecognized tax losses | (1)          | (3)        |
| Deferred tax                                      | (39)         | (217)      |
| <b>Total income tax</b>                           | <b>1,185</b> | <b>400</b> |

The effective tax rate is 24.3% (2020: 26.7%) 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                      | 2021         | 2020         |
|---|--------------|--------------|
| Operating profit before taxation                  | 4,877        | 1,496        |
| Applicable tax rate                               | 25%          | 25%          |
|   | 1,219        | 374          |
| Increase/(decrease) in taxes resulting from:      |              |              |
| Tax-exempt income                                 | (3.4%)       | (0.9%)       |
|   | (164)        | (14)         |
| Impact of foreign tax rates                       | 1.1%         | 2.7%         |
|   | 52           | 41           |
| Non-deductible expenses                           | 2.3%         | 6.9%         |
|   | 111          | 103          |
| Recognition of previously unrecognized tax losses | (0.0%)       | (0.2%)       |
|   | (1)          | (3)          |
| Other permanent differences                       | (1.3%)       | (4.8%)       |
|   | (62)         | (72)         |
| Adjustments of previous years                     | 0.9%         | (4.9%)       |
|   | 43           | (73)         |
| Adjustment due to changes in tax rates            | (0.1%)       | (1.3%)       |
|   | (4)          | (19)         |
| Write down deferred tax                           | 0.2%         | 2.2%         |
|   | 9            | 33           |
| Other non-recurring tax items                     | (0.4%)       | 2.0%         |
|   | (19)         | 30           |
| <b>Total income tax</b>                           | <b>24.3%</b> | <b>26.7%</b> |
|   | <b>1,185</b> | <b>400</b>   |

The other permanent differences mainly consist of the tax effect on the interest payments on Capital Securities.

## 47. 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 49. Transactions with pension funds are disclosed in Section 27.

| Amounts in millions of euros   | Investments in associates |              | Other related parties |           |
|--|---------------------------|--------------|-----------------------|-----------|
|  | 2021                      | 2020         | 2021                  | 2020      |
| <b>Loans</b>   |                           |              |                       |           |
| Outstanding at beginning of year                                     | 17                        | 79           | 12                    | 42        |
| Provided during the year   | 5                         | 9            | 120                   | 6         |
| Redeemed during the year   | (11)                      | (71)         | (1)                   | (36)      |
| Other  | -                         | -            | -                     | -         |
| <b>Gross loans as of December 31</b>                                 | <b>11</b>                 | <b>17</b>    | <b>131</b>            | <b>12</b> |
| Less: loan impairment allowance                                      | -                         | -            | -                     | -         |
| <b>Total loans as of December 31</b>                                 | <b>11</b>                 | <b>17</b>    | <b>131</b>            | <b>12</b> |
| <b>Deposits from credit institutions and deposits from customers</b> |                           |              |                       |           |
| Outstanding at beginning of the year                                 | 5,870                     | 5,910        | 34                    | 47        |
| Received during the year   | 1,454                     | 256          | 165                   | 72        |
| Repaid during the year   | (1,410)                   | (296)        | (149)                 | (84)      |
| Other  | -                         | -            | -                     | (1)       |
| <b>Total deposits as of December 31</b>                              | <b>5,914</b>              | <b>5,870</b> | <b>50</b>             | <b>34</b> |
| Credit related contingent liabilities                                | 268                       | 261          | -                     | -         |
| <b>Income</b>  |                           |              |                       |           |
| Net interest income  | 11                        | 7            | -                     | -         |
| Net fee and commission income  | 255                       | 251          | -                     | 1         |
| Other  | 1                         | 10           | -                     | -         |
| <b>Total income from transactions with related parties</b>           | <b>267</b>                | <b>268</b>   | <b>-</b>              | <b>1</b>  |
| <b>Expenses</b>  |                           |              |                       |           |
| Interest expense   | 200                       | 202          | -                     | -         |
| Net fee and commission expense                                       | 46                        | 46           | -                     | -         |
| Impairments  | -                         | -            | -                     | -         |
| <b>Total expenses from transactions with related parties</b>         | <b>246</b>                | <b>248</b>   | <b>-</b>              | <b>-</b>  |

## 48. 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 2021 are specified as follows:

| Amounts in millions of euros | 2021            |                         |             | 2020            |                         |             |
|------------------------------|-----------------|-------------------------|-------------|-----------------|-------------------------|-------------|
|                              | PwC Netherlands | Other PwC network firms | Total       | PwC Netherlands | Other PwC network firms | Total       |
| Audit services               | 8.7             | 9.2                     | 17.9        | 8.8             | 8.5                     | 17.3        |
| Other audit services         | 1.6             | 0.4                     | 2.0         | 1.5             | 0.5                     | 2.0         |
| Tax advisory services        | -               | 0.3                     | 0.3         | -               | 0.3                     | 0.3         |
| Other non-audit services     | -               | -                       | -           | -               | -                       | -           |
| <b>Total</b>                 | <b>10.3</b>     | <b>9.9</b>              | <b>20.2</b> | <b>10.3</b>     | <b>9.3</b>              | <b>19.6</b> |

The audit fees listed above relate to Rabobank and its consolidated group entities audited 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.

Rabobank's independent auditor, PricewaterhouseCoopers Accountants N.V., has rendered, for the period to which the statutory audit relates, in addition to the audit of the statutory financial statements the following services to the company and its controlled entities (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

## 49. Remuneration of the Supervisory Board and the Managing Board

The members of the Supervisory Board and the Managing Board are listed in Section 55 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 41. 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 |              |
| Wiebe Draijer, Chair                           | 980                          | -          | 28                       | 210                             | 1,218        |
| Berry Martin, Wholesale & Rural/LKSD           | 884                          | 20         | 28                       | 187                             | 1,119        |
| Kirsten Konst, Business Clients                | 800                          | -          | 28                       | 167                             | 995          |
| Mariëlle Lichtenberg, Private Clients          | 750                          | 6          | 28                       | 155                             | 939          |
| Bas Brouwers, CFO                              | 884                          | -          | 28                       | 187                             | 1,099        |
| Janine Vos, CHRO                               | 650                          | 59         | 28                       | 131                             | 868          |
| Bart Leurs, CITO                               | 750                          | 21         | 28                       | 155                             | 954          |
| Els de Groot, CRO                              | 750                          | 20         | 28                       | 155                             | 953          |
| Ieko Sevinga, CIO/COO (till September 1, 2021) | 500                          | 750        | 19                       | 103                             | 1,372        |
| <b>Total 2021</b>                              | <b>6,948</b>                 | <b>876</b> | <b>243</b>               | <b>1,450</b>                    | <b>9,518</b> |
| Members Managing Board                         | 7,098                        | 144        | 252                      | 1,478                           | 8,972        |
| Former Members Managing Board                  | 589                          | 14         | 19                       | 19                              | 641          |
| <b>Total 2020</b>                              | <b>7,687</b>                 | <b>158</b> | <b>271</b>               | <b>1,497</b>                    | <b>9,613</b> |

At year-end 2021 no DRNs were outstanding among members of the Managing Board (2020: 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 2021 of EUR 106,086. 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. Ieko Sevinga resigned as Managing Board member per September 1, 2021 and is entitled to a severance payment as disclosed under "Other".

Expenses related to members and former members of the Supervisory Board totaled EUR 1.1 million (2020: 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   | Remuneration |
|--|--------------|
| Chair  | 220,000      |
| Vice-Chair   | 120,000      |
| Member   | 90,000       |
| Chair of a regular Supervisory Board committee, additional | 20,000       |

The table below shows the remuneration (excluding VAT and other charges) for individual members of the Supervisory Board.

| Amounts in thousands of euros               | Remuneration |
|---|--------------|
| Marjan Trompetter                           | 162          |
| Jan Nooitgedagt                             | 113          |
| Gert-Jan van den Akker (start Apr 14, 2021) | 64           |
| Annet Aris                                  | 90           |
| Johan van Hall (start Dec 8, 2021)          | 6            |
| Petri Hofsté                                | 110          |
| Arian Kamp                                  | 110          |
| Mark Pensaert                               | 96           |
| Pascal Visée                                | 96           |
| Ron Teerlink (till Sept 22, 2021)           | 160          |
| <b>Total 2021</b>                           | <b>1,006</b> |
| <b>Total 2020</b>                           | <b>999</b>   |

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 |            |
|--|----------------|------------|-------------------|------------|
|  | 2021           | 2020       | 2021              | 2020       |
| Loans, advances and guarantees         |                |            |                   |            |
| <b>Outstanding on 1 January</b>        | <b>3.5</b>     | <b>5.0</b> | <b>1.7</b>        | <b>1.8</b> |
| Provided during the year               | 1.1            | -          | 1.0               | -          |
| Redeemed during the year               | (1.2)          | (0.3)      | (0.9)             | (0.1)      |
| Reduction on account of leaving office | -              | (1.2)      | -                 | -          |
| Increase on account of taking office   | -              | -          | -                 | -          |
| <b>Outstanding on 31 December</b>      | <b>3.4</b>     | <b>3.5</b> | <b>1.8</b>        | <b>1.7</b> |

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, 2021         |                   |                              |
| Bas Brouwers                 | 0.7               | 1.5                          |
| Bart Leurs                   | 0.8               | 1.4                          |
| Mariëlle Lichtenberg         | 0.8               | 2.6                          |
| Janine Vos                   | 1.1               | 1.6                          |

| 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                          |

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, 2021         |                   |                              |
| Arian Kamp                   | 1.2               | 1.4                          |
| Marjan Trompetter            | 0.6               | 2.4                          |

| 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                          |

At year-end 2021, 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.

| <i>Managing Board</i> | <i>Number of Rabobank Certificates</i> |
|-----------------------|--|
| On December 31, 2021  |  |
| Kirsten Konst         | 840                                    |
| Mariëlle Lichtenberg  | 1,018                                  |
| Berry Marttin         | 16,084                                 |

## 50. Principal Subsidiaries

| On December 31, 2021             | Share | Voting rights |
|----------------------------------|-------|---------------|
| Principal subsidiaries           |       |               |
| <b>The Netherlands</b>           |       |               |
| DLL International B.V.           | 100%  | 100%          |
| BPD Europe B.V.                  | 100%  | 100%          |
| Obvion N.V.                      | 100%  | 100%          |
| <b>North America</b>             |       |               |
| Utrecht America Holdings Inc.    | 100%  | 100%          |
| <b>Australia and New Zealand</b> |       |               |
| Rabobank Australia Limited       | 100%  | 100%          |
| Rabobank New Zealand Limited     | 100%  | 100%          |

All subsidiaries listed in the table have been consolidated. In 2021, several subsidiaries experienced restrictions from regulators in the payment of dividends and own funds due to COVID-19. The possibility 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.

## 51. Transfer of Financial Assets and Financial Assets Provided as Collateral

### 51.1 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:

| <i>Amounts in millions of euros</i>  | <i>2021</i>   | <i>2020</i>   |
|--|---------------|---------------|
| Loans and advances to credit institutions  | 16,590        | 15,803        |
| Loans and advances to customers  | 13,898        | 17,265        |
| <b>Total reverse repurchase transactions and securities borrowing agreements</b> | <b>30,488</b> | <b>33,068</b> |

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, 2021, the total fair value of the securities received under the terms of the agreements was EUR 31,043 million (2020: EUR 34,387 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.

### 51.2 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:

| <i>Amounts in millions of euros</i>            | <i>2021</i> | <i>2020</i> |
|--|-------------|-------------|
| Deposits from credit institutions              | 181         | 439         |
| Deposits from customers                        | 527         | 550         |
| <b>Total repurchase and securities lending</b> | <b>708</b>  | <b>989</b>  |

Rabobank provided interest-bearing securities with a carrying amount (equal to fair value) per December 31, 2021 of EUR 716 million (2020: EUR 1,125 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.

| <i>Amounts in millions of euros</i>                               | <i>2021</i>   | <i>2020</i>   |
|---|---------------|---------------|
| Cash and cash equivalents   | 49            | 85            |
| Loans and advances to credit institutions                         | 1,443         | 2,174         |
| Loans and advances to customers                                   | 27,482        | 28,503        |
| Financial assets held for trading                                 | 370           | 692           |
| Financial assets at fair value through other comprehensive income | 1,397         | 2,983         |
| <b>Total assets pledged as collateral</b>                         | <b>30,741</b> | <b>34,437</b> |

### 51.3 Securitizations

As part Rabobank's financing activities and liquidity management, 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 recognized in Rabobank's statement of financial position, 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 91,189 million (2020: EUR 81,004 million) with the corresponding liability amounting to EUR 89,963 million (2020: EUR 79,118 million). Approximately 80% (2020: 73%) 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 2,404 million (2020: EUR 1,941 million) with the corresponding liability amounting to EUR 2,403 million (2020: EUR 1,941 million). Rabobank retains 5% to 6% of the outstanding commercial paper issued by Nieuw Amsterdam for regulatory purposes.

### 51.4 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.



## 52. Structured Entities

### 52.1 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 Rabobank, 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 asset-backed commercial paper (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 securitization 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.

### 52.2 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 to securitization vehicles 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, 2021   |              |              | On December 31, 2020   |              |              |
|---|------------------------|--------------|--------------|------------------------|--------------|--------------|
| <i>Assets recognized by Rabobank</i>                              | <i>Securitisations</i> | <i>Other</i> | <i>Total</i> | <i>Securitisations</i> | <i>Other</i> | <i>Total</i> |
| Financial assets held for trading                                 | 5                      | 30           | 35           | 7                      | 28           | 35           |
| Financial assets mandatorily at fair value                        | 2                      | 727          | 729          | 35                     | 439          | 474          |
| Derivatives   | 25                     | -            | 25           | 57                     | -            | 57           |
| Loans and advances to customers                                   | 542                    | -            | 542          | 649                    | -            | 649          |
| Financial assets at fair value through other comprehensive income | 3                      | -            | 3            | 4                      | -            | 4            |
| Investments in associates   | 105                    | 116          | 221          | 85                     | 187          | 272          |
| <b>Total financial assets recognized by Rabobank</b>              | <b>682</b>             | <b>873</b>   | <b>1,555</b> | <b>837</b>             | <b>654</b>   | <b>1,491</b> |
| <i>Liabilities recognized by Rabobank</i>                         |                        |              |              |                        |              |              |
| Derivatives   | 46                     | -            | 46           | 5                      | -            | 5            |
| Deposits from customers   | 201                    | -            | 201          | 221                    | -            | 221          |
| <b>Total liabilities recognized by Rabobank</b>                   | <b>247</b>             | <b>-</b>     | <b>247</b>   | <b>226</b>             | <b>-</b>     | <b>226</b>   |

Income from sponsored, non-consolidated structured entities in which Rabobank holds no interest is zero (2020: zero).

## 53. Events after the Reporting Period

Rabobank is closely monitoring the situation with regard to the Russia-Ukraine conflict. It is to be deeply regretted that, after decades, the European continent is once again faced with such violence, the heart-breaking situations and instability that this brings. Like all other European banks, Rabobank implements

sanctions, focuses on continuity in its operations and supports impacted clients to the best of its abilities. There will be impact on global economy, Dutch economy, Rabobank's clients and Rabobank's financial position. The severity of the impact is currently unsure.

## 54. 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. Management Report Corporate Governance Appendices Consolidated Financial Statements Company Financial Statements Other Information Rabobank Annual Report 2021 - Consolidated Financial Statements 210 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 its 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, 2021 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, 2021, 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, 2021, 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 273.

Wiebe Draijer and Bas Brouwers

Utrecht, March 7, 2022

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.

## 55. Authorization of the Financial Statements

The financial statements were signed by the Supervisory Board and Managing Board on March 7, 2022. The financial statements will be presented for adoption to the General Meeting, to be held on April 13, 2022. With regard to the adoption of Rabobank's financial statements, 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*

Janine Vos, *Member*

### Supervisory Board

Marjan Trompetter, *Chair*

Jan Nooitgedagt, *Vice Chair*

Gert-Jan van den Akker

Arian Kamp

Petri Hofsté

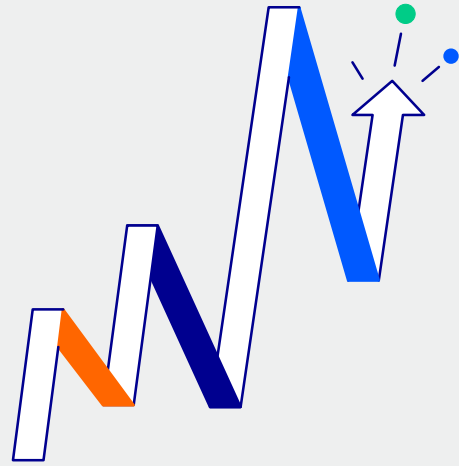
Pascal Visée

Annet Aris

Mark Pensaert

Johan van Hall

# *Company Financial Statements*



# Contents

|  |     |
|--|-----|
| Statement of Financial Position (Before Profit Appropriation)              | 233 |
| Statement of Income  | 234 |
| Notes to the Company Financial Statements                                  | 235 |
| 1. Basis of Preparation  | 235 |
| 2. Risk Exposure on Financial Instruments                                  | 235 |
| Notes to the Statement of Financial Position                               | 236 |
| 1. Cash and Balances at Central Banks                                      | 236 |
| 2. Short-term Government Papers  | 236 |
| 3. Loans and Advances to Credit Institutions                               | 236 |
| 4. Loans and Advances to Customers   | 236 |
| 5. Interest-Bearing Securities   | 237 |
| 6. Shares  | 237 |
| 7. Interests in Group Companies  | 237 |
| 8. Other Equity Investments  | 237 |
| 9. Intangible Assets   | 238 |
| 10. Tangible Fixed Assets  | 238 |
| 11. Other Assets   | 238 |
| 12. Derivatives  | 239 |
| 13. Trading and Investment Portfolios                                      | 240 |
| 14. Due to Credit Institutions   | 240 |
| 15. Due to Customers   | 240 |
| 16. Debt Securities in Issue   | 241 |
| 17. Other Liabilities  | 241 |
| 18. Provisions   | 241 |
| 19. Subordinated Liabilities   | 241 |
| 20. Equity   | 242 |
| Notes to the Statement of Income   | 244 |
| 21. Net Interest Income  | 244 |
| 22. Net Fee and Commission Income  | 244 |
| 23. Income from Equity Interests   | 244 |
| 24. Staff Costs  | 244 |
| 25. Regulatory Levies  | 245 |
| 26. Income Tax   | 245 |
| Other Notes to the Financial Statements                                    | 246 |
| 27. Professional Securities Transactions and Assets Not Freely Available   | 246 |
| 28. Contingent Liabilities   | 246 |
| 29. Principal Group Companies  | 247 |
| 30. Remuneration of the Supervisory Board and the Managing Board           | 247 |
| 31. Proposals Regarding the Appropriation of Available Profit for Rabobank | 247 |
| 32. Events After the Reporting Period                                      | 247 |
| 33. Authorization of the Financial Statements                              | 248 |

# Statement of Financial Position (Before Profit Appropriation)

| Statement of Financial Position (Before Profit Apprriation) |                    |                   |         |                   |
|---|--------------------|-------------------|---------|-------------------|
| Amounts in millions of euros                                | Note               | December 31, 2021 |         | December 31, 2020 |
| Assets  |                    |                   |         |                   |
| Cash and balances at central banks                          | <a href="#">1</a>  | 119,707           |         | 107,914           |
| Short-term government papers                                | <a href="#">2</a>  | 231               |         | 576               |
| Professional securities transactions                        |                    | 15,912            | 15,203  |                   |
| Other loans and advances to credit institutions             |                    | 15,272            | 13,404  |                   |
| Loans and advances to credit institutions                   | <a href="#">3</a>  | 31,184            |         | 28,607            |
| Public sector lending                                       |                    | 1,746             | 1,728   |                   |
| Private sector lending                                      |                    | 369,431           | 382,752 |                   |
| Professional securities transactions                        |                    | 14,129            | 17,520  |                   |
| Loans and advances to customers                             | <a href="#">4</a>  | 385,306           |         | 402,000           |
| Interest-bearing securities                                 | <a href="#">5</a>  | 77,678            |         | 64,242            |
| Shares  | <a href="#">6</a>  | 198               |         | 221               |
| Interests in group companies                                | <a href="#">7</a>  | 15,251            |         | 13,986            |
| Other equity investments                                    | <a href="#">8</a>  | 1,586             |         | 1,511             |
| Goodwill and other intangible assets                        | <a href="#">9</a>  | 333               |         | 389               |
| Tangible fixed assets                                       | <a href="#">10</a> | 1,233             |         | 1,424             |
| Other assets  | <a href="#">11</a> | 6,270             |         | 5,700             |
| Derivatives   | <a href="#">12</a> | 24,517            |         | 32,565            |
| Prepayments and accrued income                              |                    | 1,269             |         | 655               |
| <b>Total assets</b>   |                    | <b>664,763</b>    |         | <b>659,790</b>    |
|   |                    |                   |         |                   |
| Liabilities   |                    |                   |         |                   |
| Professional securities transactions                        |                    | 181               | 431     |                   |
| Other liabilities to credit institutions                    |                    | 74,384            | 61,328  |                   |
| Due to credit institutions                                  | <a href="#">14</a> | 74,565            |         | 61,759            |
| Savings   |                    | 145,548           | 153,939 |                   |
| Professional securities transactions                        |                    | 121               | 150     |                   |
| Other due to customers                                      |                    | 218,874           | 202,799 |                   |
| Due to customers  | <a href="#">15</a> | 364,543           |         | 356,888           |
| Debt securities in issue                                    | <a href="#">16</a> | 92,385            |         | 95,971            |
| Other liabilities   | <a href="#">17</a> | 59,513            |         | 61,001            |
| Derivatives   | <a href="#">12</a> | 18,771            |         | 28,313            |
| Accruals and deferred income                                |                    | 1,091             |         | 1,486             |
| Provisions  | <a href="#">18</a> | 1,115             |         | 730               |
| Subordinated liabilities                                    | <a href="#">19</a> | 9,880             |         | 13,486            |
|   |                    | <b>621,863</b>    |         | <b>619,634</b>    |
| Rabobank Certificates                                       |                    | 7,825             | 7,822   |                   |
| Capital Securities  |                    | 3,978             | 4,482   |                   |
| Revaluation reserves  |                    | 220               | 376     |                   |
| Legal reserves  |                    | 17                | (666)   |                   |
| Other reserves  |                    | 27,264            | 27,087  |                   |
| Profit for the year   |                    | 3,596             | 1,055   |                   |
| <b>Equity</b>   | <a href="#">20</a> | <b>42,900</b>     |         | <b>40,156</b>     |
| <b>Total equity and liabilities</b>                         |                    | <b>664,763</b>    |         | <b>659,790</b>    |
|   |                    |                   |         |                   |
| Contingent liabilities                                      | 28                 | 72,217            |         | 68,186            |



# Statement of Income

| <i>Statement of Income</i>                                   |             |                                       |              |
|--|-------------|---------------------------------------|--------------|
|  |             | <i>For the year ended 31 December</i> |              |
| <i>Amounts in millions of euros</i>                          | <i>Note</i> | <i>2021</i>                           | <i>2020</i>  |
| Interest income  | 21          | 11,408                                | 11,937       |
| Interest expense   | 21          | 5,654                                 | 6,467        |
| <b>Net interest income</b>                                   | <b>21</b>   | <b>5,754</b>                          | <b>5,470</b> |
| Fee and commission income                                    | 22          | 2,109                                 | 1,917        |
| Fee and commission expense                                   | 22          | 272                                   | 285          |
| <b>Net fee and commission income</b>                         | <b>22</b>   | <b>1,837</b>                          | <b>1,632</b> |
| Income from equity interests                                 | 23          | 2,493                                 | 961          |
| Gains/ (losses) from trading portfolio with external parties |             | 147                                   | (167)        |
| Gains/ (losses) from trading portfolio with group companies  |             | (739)                                 | (162)        |
| Gains/ (losses) from investment portfolio                    |             | 363                                   | 244          |
| <b>Net income from financial transactions</b>                |             | <b>(229)</b>                          | <b>(85)</b>  |
| Other results  |             | (29)                                  | 62           |
| <b>Income</b>  |             | <b>9,826</b>                          | <b>8,040</b> |
| Staff costs  | 24          | 3,579                                 | 3,508        |
| Other administrative expenses                                |             | 1,591                                 | 1,184        |
| Depreciation   |             | 291                                   | 329          |
| <b>Operating expenses</b>                                    |             | <b>5,461</b>                          | <b>5,021</b> |
| Impairment on investments in associates                      |             | -                                     | 213          |
| Impairment charges on financial assets                       |             | (322)                                 | 1,182        |
| Regulatory levies  | 25          | 637                                   | 489          |
| <b>Operating profit before taxation</b>                      |             | <b>4,050</b>                          | <b>1,135</b> |
| Income tax   | 26          | 454                                   | 80           |
| <b>Net profit</b>  |             | <b>3,596</b>                          | <b>1,055</b> |

# 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 Rabobank's consolidated financial statements, 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 Rabobank's activities and portfolio. 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. Please 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 requirements | Overall capital |
|-----------------------------|--------------|--------------|--------------|---------------------|-----------------|
| 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%           |
| <b>Total required</b>       | <b>8.00%</b> | <b>1.83%</b> | <b>9.83%</b> | <b>2.44%</b>        | <b>12.26%</b>   |

The CET1-ratio of Coöperatieve Rabobank U.A. (solo) is 16.2% (2020: 16.0%).

### 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 | 2021 | 2020 |
|------------------------------|------|------|
| Legal provisions             | 400  | 73   |
| Contingent liabilities       | 189  | 11   |

# 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              | 2021       | 2020       |
|---|------------|------------|
| Recognized in the trading portfolio       | 16         | 25         |
| Recognized in the investment portfolio    | 215        | 551        |
| <b>Total short-term government papers</b> | <b>231</b> | <b>576</b> |

## 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                           | 2021          | 2020          |
|--|---------------|---------------|
| Loans and advances to other credit institutions        | 20,543        | 20,166        |
| Loans and advances to group companies                  | 10,641        | 8,441         |
| <b>Total loans and advances to credit institutions</b> | <b>31,184</b> | <b>28,607</b> |
| Of which subordinated                                  | -             | -             |

The terms of loans and advances to credit institutions can be broken down as follows:

|  |               |               |
|--|---------------|---------------|
| On demand  | 11,805        | 11,340        |
| ≤ 3 months   | 7,334         | 8,157         |
| > 3 months ≤ 1 year                                    | 5,462         | 4,019         |
| > 1 year ≤ 5 years                                     | 4,575         | 2,282         |
| > 5 years  | 565           | 611           |
| No maturity  | 1,443         | 2,198         |
| <b>Total loans and advances to credit institutions</b> | <b>31,184</b> | <b>28,607</b> |

The fair value of accepted collateral in the form of securities is EUR 16,400 million (2020: EUR 15,965 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                         | 2021           | 2020           |
|--|----------------|----------------|
| <b>Breakdown of loans and advances to customers:</b> |                |                |
| Public sector lending                                | 1,746          | 1,728          |
| Private sector lending                               | 369,431        | 382,752        |
| Professional securities transactions                 | 14,129         | 17,520         |
| <b>Total loans and advances to customers</b>         | <b>385,306</b> | <b>402,000</b> |

Totals include:

|                             |         |         |
|-----------------------------|---------|---------|
| Of which to group companies | 77,097  | 74,165  |
| Of which mortgages          | 159,505 | 157,273 |

|   |                |                |
|---|----------------|----------------|
| Loans recognised in the trading portfolio   | 887            | 548            |
| Loans recognised in the investment portfolio                                      | 153            | 178            |
| Loans recognised in the investment portfolio at fair value through profit or loss | 857            | 1,164          |
| Loans at amortized cost   | 383,409        | 400,110        |
| <b>Total loans and advances to customers</b>                                      | <b>385,306</b> | <b>402,000</b> |

The terms of loans and advances can be broken down as follows:

|                                |                |                |
|--------------------------------|----------------|----------------|
| On demand                      | 47,571         | 50,244         |
| ≤ 3 months                     | 16,188         | 18,133         |
| > 3 months ≤ 1 year            | 25,224         | 28,566         |
| > 1 year ≤ 5 years             | 79,831         | 83,845         |
| > 5 years                      | 211,352        | 210,975        |
| No maturity                    | 3,243          | 8,347          |
| <b>Loans at amortized cost</b> | <b>383,409</b> | <b>400,110</b> |

Loans (excluding government loans and reverse repos) can be classified as follows by their concentration in specific business sectors:

|                              |             |             |
|------------------------------|-------------|-------------|
| Food & agri                  | 17%         | 17%         |
| Trade, industry and services | 24%         | 26%         |
| Private individuals          | 59%         | 57%         |
| <b>Total</b>                 | <b>100%</b> | <b>100%</b> |

The fair value of accepted collateral in the form of securities is EUR 12,456 million (2020: EUR 18,097 million).

## 5. Interest-Bearing Securities

This item represents interest-bearing securities other than short-term government papers.

| Amounts in millions of euros                                   | 2021          | 2020          |
|--|---------------|---------------|
| <b>Interest-bearing securities of:</b>                         |               |               |
| Public authorities   | 8,223         | 8,087         |
| Other issuers  | 69,455        | 56,155        |
| <b>Total interest-bearing securities</b>                       | <b>77,678</b> | <b>64,242</b> |
| <b>Breakdown of interest-bearing securities:</b>               |               |               |
| Trading portfolio  | 1,429         | 1,818         |
| Investment portfolio   | 76,242        | 62,381        |
| Investment portfolio at fair value through profit or loss      | 7             | 43            |
|  | <b>77,678</b> | <b>64,242</b> |
| <b>The portfolio also includes:</b>                            |               |               |
| Securities issued by group companies                           | 65,521        | 50,671        |
| Listed portion of the portfolio                                | 11,610        | 13,306        |
| Non-listed securities and securities issued by group companies | 66,068        | 50,936        |
| <b>Total interest-bearing securities</b>                       | <b>77,678</b> | <b>64,242</b> |

## 6. Shares

This item consists of shares and other non-interest-bearing securities, including temporary other investments.

| Amounts in millions of euros                              | 2021       | 2020       |
|---|------------|------------|
| <b>This breaks down as follows:</b>                       |            |            |
| Investment portfolio                                      | 38         | 61         |
| Investment portfolio at fair value through profit or loss | 10         | 8          |
| Trading portfolio   | 150        | 152        |
| <b>Total</b>  | <b>198</b> | <b>221</b> |
| Listed portion of the portfolio                           | 133        | 143        |
| Non-listed portion of the portfolio                       | 65         | 78         |
| <b>Total</b>  | <b>198</b> | <b>221</b> |

## 7. Interests in Group Companies

This item includes the interests held directly in group companies.

| Amounts in millions of euros  | 2021          | 2020          |
|-------------------------------|---------------|---------------|
| <b>Equity investments in:</b> |               |               |
| Credit institutions           | 3,611         | 3,776         |
| Other entities                | 11,640        | 10,210        |
| <b>Total</b>                  | <b>15,251</b> | <b>13,986</b> |

|   |               |               |
|---|---------------|---------------|
| <b>Changes in equity investments:</b>                       |               |               |
| Carrying amount on January 1                                | 13,986        | 14,077        |
| Additions, capital contributions during the financial year  | 110           | 291           |
| Sales, disposals and liquidations during the financial year | -             | (16)          |
| Profit  | 2,374         | 783           |
| Dividend/capital reimbursements                             | (1,519)       | (331)         |
| Revaluation   | 299           | (808)         |
| Other   | 1             | (10)          |
| <b>Carrying amount on December 31</b>                       | <b>15,251</b> | <b>13,986</b> |

## 8. Other Equity Investments

This item includes participating interests in associates, particularly in Achmea B.V.

| Amounts in millions of euros          | 2021         | 2020         |
|---------------------------------------|--------------|--------------|
| <b>Equity investments in:</b>         |              |              |
| Credit institutions                   | -            | -            |
| Other entities                        | 1,586        | 1,511        |
| <b>Total other equity investments</b> | <b>1,586</b> | <b>1,511</b> |

|  |              |              |
|--|--------------|--------------|
| <b>Changes in equity investments:</b>  |              |              |
| Carrying amount on January 1           | 1,511        | 1,632        |
| Acquisitions during the financial year | 13           | 4            |
| Disposals during the financial year    | (6)          | -            |
| Profit/ (loss)                         | 119          | 170          |
| Revaluation                            | (6)          | (37)         |
| Impairment                             | -            | (213)        |
| Dividend                               | (45)         | (45)         |
| <b>Carrying amount on December 31</b>  | <b>1,586</b> | <b>1,511</b> |

## 9. Intangible Assets

The intangible assets mainly consist of software.

| Amounts in millions of euros                                | 2021       | 2020       |
|---|------------|------------|
| Carrying amount on January 1                                | 389        | 417        |
| Acquisitions during the financial year (to group companies) | 3          | 1          |
| Acquisitions during the financial year                      | 96         | 110        |
| Disposals during the financial year (to group companies)    | -          | -          |
| Disposals during the financial year                         | (4)        | (19)       |
| Depreciation  | (96)       | (109)      |
| Impairment losses   | (61)       | (10)       |
| Exchange differences and other                              | 6          | (1)        |
| <b>Carrying amount on December 31</b>                       | <b>333</b> | <b>389</b> |
| Accumulated depreciation and impairment losses              | 1,212      | 1,125      |

## 10. Tangible Fixed Assets

| Amounts in millions of euros       | 2021         | 2020         |
|------------------------------------|--------------|--------------|
| Land and buildings in own use      | 810          | 898          |
| Equipment                          | 164          | 212          |
| Right-of-use assets                | 259          | 314          |
| <b>Total tangible fixed assets</b> | <b>1,233</b> | <b>1,424</b> |

| Amounts in millions of euros                   | Land and buildings in own use | Equipment  |
|--|-------------------------------|------------|
| Carrying amount on January 1, 2021             | 898                           | 212        |
| Acquisitions during the financial year         | 11                            | 31         |
| Disposals during the financial year            | -                             | (28)       |
| Depreciation                                   | (69)                          | (61)       |
| Impairment losses                              | (8)                           | (6)        |
| Reversal impairment losses                     | 23                            | -          |
| Transfers to other assets                      | (36)                          | -          |
| Exchange differences and other                 | (9)                           | 16         |
| <b>Carrying amount on December 31, 2021</b>    | <b>810</b>                    | <b>164</b> |
| Accumulated depreciation and impairment losses | 1,034                         | 469        |

| Amounts in millions of euros                   |            |            |
|--|------------|------------|
| 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         |
| <b>Carrying amount on December 31, 2020</b>    | <b>898</b> | <b>212</b> |
| Accumulated depreciation and impairment losses | 1,318      | 559        |

## 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                    | 2021         | 2020         |
|---|--------------|--------------|
| <b>This item can be broken down as follows:</b> |              |              |
| Current tax assets                              | 51           | 161          |
| Deferred tax assets                             | 424          | 279          |
| Employee benefits                               | 3            | 3            |
| Commodities and warehouse receipts              | 4,590        | 2,590        |
| Other   | 1,202        | 2,667        |
| <b>Total other assets</b>                       | <b>6,270</b> | <b>5,700</b> |

### 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              | 2021          | 2020          |
|---|---------------|---------------|
| <b>Assets</b>                             |               |               |
| This item can be broken down as follows:  |               |               |
| Derivative contracts with third parties   | 23,562        | 31,531        |
| Derivative contracts with group companies | 955           | 1,034         |
| <b>Total derivatives</b>                  | <b>24,517</b> | <b>32,565</b> |
| <b>Liabilities</b>                        |               |               |
| This item can be broken down as follows:  |               |               |
| Derivative contracts with third parties   | 18,577        | 28,180        |
| Derivative contracts with group companies | 194           | 133           |
| <b>Total derivatives</b>                  | <b>18,771</b> | <b>28,313</b> |

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, 2021   |                  | Assets        | Liabilities   |
| <b>Derivatives held for trading</b>                                      |                  |               |               |
| OTC  | 4,487,061        | 16,028        | 11,452        |
| Listed   | 123,681          | 1             | 1             |
| <b>Interest rate contracts</b>   | <b>4,610,742</b> | <b>16,029</b> | <b>11,453</b> |
| OTC  | 479,403          | 5,131         | 5,922         |
| Listed   | -                | -             | -             |
| <b>Currency contracts</b>  | <b>479,403</b>   | <b>5,131</b>  | <b>5,922</b>  |
| Credit derivatives   | 2,176            | 141           | 23            |
| OTC  | 15,873           | 509           | 807           |
| Listed   | -                | -             | -             |
| <b>Other contracts</b>   | <b>15,873</b>    | <b>509</b>    | <b>807</b>    |
| <b>Derivatives designated as hedging instrument</b>                      |                  |               |               |
| <b>Derivatives designated as hedging instrument in fair value hedges</b> |                  |               |               |
| Interest rate contracts  | 56,926           | 469           | 46            |
| Currency contracts   | 8,424            | 1,251         | 325           |
|  | <b>65,350</b>    | <b>1,720</b>  | <b>371</b>    |
| <b>Derivatives designated as hedging instrument in cash flow hedges</b>  |                  |               |               |
| Currency contracts   | 140              | 32            | 1             |
| <b>Total derivatives with third parties</b>                              | <b>5,173,684</b> | <b>23,562</b> | <b>18,577</b> |
| <b>Balance on December 31, 2020</b>                                      |                  |               |               |
| <b>Derivatives held for trading</b>                                      |                  |               |               |
| OTC  | 4,063,168        | 20,653        | 15,798        |
| Listed   | 126,852          | -             | -             |
| <b>Interest rate contracts</b>   | <b>4,190,020</b> | <b>20,653</b> | <b>15,798</b> |
| OTC  | 398,964          | 6,738         | 7,882         |
| Listed   | -                | -             | -             |
| <b>Currency contracts</b>  | <b>398,964</b>   | <b>6,738</b>  | <b>7,882</b>  |
| Credit derivatives   | 1,111            | 120           | 10            |
| OTC  | 9,574            | 257           | 321           |
| Listed   | -                | -             | -             |
| <b>Other contracts</b>   | <b>9,574</b>     | <b>257</b>    | <b>321</b>    |
| <b>Derivatives designated as hedging instrument</b>                      |                  |               |               |
| <b>Derivatives designated as hedging instrument in fair value hedges</b> |                  |               |               |
| Interest rate contracts  | 112,320          | 1,893         | 3,629         |
| Currency contracts   | 9,586            | 1,860         | 508           |
|  | <b>121,906</b>   | <b>3,753</b>  | <b>4,137</b>  |
| <b>Derivatives designated as hedging instrument in cash flow hedges</b>  |                  |               |               |
| Currency contracts   | 175              | 10            | 32            |
| <b>Total derivatives with third parties</b>                              | <b>4,721,750</b> | <b>31,531</b> | <b>28,180</b> |



## 13. Trading and Investment Portfolios

| <i>Breakdown of Trading and Investment Portfolios</i>                       |               |               |
|---|---------------|---------------|
| <i>Amounts in millions of euros</i>   | <i>2021</i>   | <i>2020</i>   |
| <b>Trading portfolio</b>  |               |               |
| Short-term government papers  | 16            | 25            |
| Loans and advances to customers   | 887           | 548           |
| Interest-bearing securities   | 1,429         | 1,818         |
| Shares  | 150           | 152           |
| <b>Total trading portfolio</b>  | <b>2,482</b>  | <b>2,543</b>  |
| <b>Investment portfolio</b>   |               |               |
| Short-term government papers  | 215           | 551           |
| Interest-bearing securities   | 76,242        | 62,381        |
| Shares  | 38            | 61            |
| Loans and advances to customers   | 153           | 178           |
| <b>Total investment portfolio</b>   | <b>76,648</b> | <b>63,171</b> |
| Included in the investment portfolios of group companies                    | 65,510        | 50,661        |
| <b>Changes in the investment portfolio</b>                                  |               |               |
| Balance on January 1  | 63,171        | 61,794        |
| Foreign exchange differences  | 465           | (267)         |
| Acquisitions during the financial year                                      | 22,249        | 9,407         |
| Disposals during the financial year   | (9,139)       | (7,764)       |
| Fair value changes  | (361)         | 187           |
| Other   | 263           | (186)         |
| <b>Balance on December 31</b>   | <b>76,648</b> | <b>63,171</b> |
| <b>The terms of the investment portfolio can be broken down as follows:</b> |               |               |
| On demand   | 89            | 73            |
| ≤ 3 months  | 417           | 351           |
| > 3 months ≤ 1 year   | 1,284         | 911           |
| > 1 year ≤ 5 years  | 1,828         | 3,761         |
| > 5 years   | 72,992        | 58,015        |
| No maturity   | 38            | 60            |
| <b>Total investment portfolio</b>   | <b>76,648</b> | <b>63,171</b> |
| <b>Investment portfolio at fair value through profit or loss</b>            |               |               |
| Interest-bearing securities   | 7             | 43            |
| Shares  | 10            | 8             |
| Loans and advances to customers   | 857           | 1,164         |
| <b>Total investment portfolio at fair value through profit or loss</b>      | <b>874</b>    | <b>1,215</b>  |

## 14. Due to Credit Institutions

This item represents amounts owed to credit institutions, other than debt securities and subordinated debt, of which:

| <i>Amounts in millions of euros</i>     | <i>2021</i>   | <i>2020</i>   |
|---|---------------|---------------|
| Due to credit institutions              | 14,755        | 17,880        |
| Due to group companies                  | 4,595         | 3,713         |
| Monetary instruments of central banks   | 55,121        | 40,118        |
| Due to other equity investments         | 94            | 48            |
| <b>Total due to credit institutions</b> | <b>74,565</b> | <b>61,759</b> |
| On demand                               | 6,378         | 4,350         |
| ≤ 3 months                              | 855           | 878           |
| > 3 months ≤ 1 year                     | 2,258         | 3,715         |
| > 1 year ≤ 5 years                      | 56,590        | 42,006        |
| > 5 years                               | 841           | 853           |
| No maturity                             | 7,643         | 9,957         |
| <b>Total due to credit institutions</b> | <b>74,565</b> | <b>61,759</b> |

## 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 16 billion (2020: EUR 12 billion).

| <i>Amounts in millions of euros</i> | <i>2021</i>    | <i>2020</i>    |
|-------------------------------------|----------------|----------------|
| Due to other customers              | 350,313        | 338,995        |
| Due to group companies              | 8,422          | 12,082         |
| Due to other equity investments     | 5,808          | 5,811          |
| <b>Total due to customers</b>       | <b>364,543</b> | <b>356,888</b> |

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.

| <i>Amounts in millions of euros</i> | <i>2021</i>    | <i>2020</i>    |
|-------------------------------------|----------------|----------------|
| On demand                           | 324,431        | 311,939        |
| ≤ 3 months                          | 6,273          | 8,411          |
| > 3 months ≤ 1 year                 | 4,346          | 7,323          |
| > 1 year ≤ 5 years                  | 7,189          | 6,622          |
| > 5 years                           | 21,265         | 21,830         |
| No maturity                         | 1,039          | 763            |
| <b>Total due to customers</b>       | <b>364,543</b> | <b>356,888</b> |

## 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          | 2021          | 2020          |
|---------------------------------------|---------------|---------------|
| Tradeable debt securities             | 60,094        | 67,638        |
| Other debt securities                 | 32,291        | 28,333        |
| <b>Total debt securities in issue</b> | <b>92,385</b> | <b>95,971</b> |
| On demand                             | 4,945         | 7,078         |
| ≤ 3 months                            | 10,946        | 8,220         |
| > 3 months ≤ 1 year                   | 20,996        | 19,435        |
| > 1 year ≤ 5 years                    | 28,178        | 29,740        |
| > 5 years                             | 27,320        | 31,498        |
| <b>Total debt securities in issue</b> | <b>92,385</b> | <b>95,971</b> |

## 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 2021, approximately EUR 54 billion in Rabobank mortgages were securitized.

| Amounts in millions of euros                        | 2021          | 2020          |
|---|---------------|---------------|
| <b>This item can be broken down as follows:</b>     |               |               |
| Liabilities associated with securitized receivables | 53,574        | 57,326        |
| Current tax liabilities                             | 429           | 20            |
| Other liabilities                                   | 5,510         | 3,655         |
| <b>Total other liabilities</b>                      | <b>59,513</b> | <b>61,001</b> |

## 18. Provisions

| Amounts in millions of euros                                       | 2021         | 2020       |
|--|--------------|------------|
| Provision for pension plans and other post-retirement provisions   | 168          | 175        |
| Provision for deferred tax liabilities                             | -            | 24         |
| Impairment allowances on loan commitments and financial guarantees | 105          | 138        |
| Other provisions   | 842          | 393        |
| <b>Total provisions</b>  | <b>1,115</b> | <b>730</b> |

### Provision for Employee Benefits

The provision for employee benefits consists of a provision for pension plans of EUR 84 million (2020: EUR 96 million) and of other post-retirement provisions of EUR 84 million (2020: EUR 79 million).

### Other Provisions

| Amounts in millions of euros                | Restructuring provision | Provision for legal issues | Other      | Total      |
|---|-------------------------|----------------------------|------------|------------|
| Opening balance on January 1, 2021          | 278                     | 73                         | 42         | 393        |
| Additions                                   | 62                      | 351                        | 312        | 725        |
| Withdrawals                                 | (43)                    | (15)                       | (14)       | (72)       |
| Releases                                    | (164)                   | (9)                        | (31)       | (204)      |
| <b>Closing balance on December 31, 2021</b> | <b>133</b>              | <b>400</b>                 | <b>309</b> | <b>842</b> |
| 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)      |
| <b>Closing balance on December 31, 2020</b> | <b>278</b>              | <b>73</b>                  | <b>42</b>  | <b>393</b> |

## 19. Subordinated Liabilities

This represents the loans relating to the issue of subordinated loans.

| Amounts in millions of euros  | 2021         | 2020          |
|-------------------------------|--------------|---------------|
| Subordinated loans            | 9,880        | 13,486        |
| <b>Balance on 31 December</b> | <b>9,880</b> | <b>13,486</b> |

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                            |
| 50,800                | JPY      | 1.429% | 2014             | 2024                            |
| 588                   | EUR      | 3.875% | 2013             | 2023                            |
| 545                   | USD      | 4.625% | 2013             | 2023                            |
| 1,250                 | USD      | 5.75%  | 2013             | 2043                            |
| 706                   | EUR      | 4.125% | 2012             | 2022                            |
| 500                   | GBP      | 5.25%  | 2012             | 2027                            |
| 678                   | USD      | 3.95%  | 2012             | 2022                            |
| 10                    | EUR      | 4.21%  | 2005             | 2025                            |
| 10                    | EUR      | 5.32%  | 2004             | 2024                            |

## 20. Equity

| Amounts in millions of euros                    | 2021          | 2020          |
|---|---------------|---------------|
| <b>This item can be broken down as follows:</b> |               |               |
| Rabobank Certificates                           | 7,825         | 7,822         |
| Capital Securities                              | 3,978         | 4,482         |
| Revaluation reserves                            | 220           | 376           |
| Legal reserves                                  | 17            | (666)         |
| Other reserves                                  | 27,264        | 27,087        |
| Profit for the year                             | 3,596         | 1,055         |
| <b>Total equity</b>                             | <b>42,900</b> | <b>40,156</b> |

### Rabobank Certificates

Rabobank Certificates represent participation rights issued by Rabobank via the foundation Stichting Administratie Kantoor Rabobank Certificaten (AK Foundation) and belong to Rabobank's Common Equity Tier 1 capital. Rabobank Certificates are listed on Euronext Amsterdam.

The total number of certificates is 313,005,461 with a nominal value of EUR 25 each. Rabobank's actual payment policy 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.

As a result of the announcement by the ECB that it would not extend the recommendation to limit dividend distributions beyond September 30, 2021, Rabobank made an exceptional quarterly distribution of EUR 1.21478 per Rabobank Certificate on December 29, 2021 and reiterated its intention to revert to its payment policy thereafter.

The cash distribution paid per certificate in 2021 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.

| <b>Rabobank Certificates</b>                      |              |              |
|---|--------------|--------------|
| Amounts in millions of euros                      | 2021         | 2020         |
| <b>Changes during the year:</b>                   |              |              |
| Opening balance                                   | 7,822        | 7,449        |
| Distribution in the form of Rabobank Certificates | -            | 376          |
| Changes Rabobank Certificates during the year     | 3            | (3)          |
| <b>Closing balance</b>                            | <b>7,825</b> | <b>7,822</b> |

### Capital Securities

For issues and redemptions, please refer to Section 32 "Capital Securities" of the Consolidated Financial Statements.

### Capital Securities

| Amounts in millions of euros            | 2021         | 2020         |
|---|--------------|--------------|
| <b>Movements were as follows:</b>       |              |              |
| Balance on January 1                    | 4,482        | 5,264        |
| Issuance of Capital Securities          | 750          | 1,000        |
| Costs of issuance of Capital Securities | (4)          | (5)          |
| Redemption of Capital Securities        | (1,282)      | (1,760)      |
| Other                                   | 32           | (17)         |
| <b>Balance on December 31</b>           | <b>3,978</b> | <b>4,482</b> |

### Revaluation Reserves

| Amounts in millions of euros                                 | 2021       | 2020       |
|--|------------|------------|
| <b>The revaluation reserves can be specified as follows:</b> |            |            |
| Cash flow hedges   | (14)       | (47)       |
| Interest-bearing securities                                  | 15         | 163        |
| Shares and non-interest-bearing securities                   | 141        | 224        |
| Costs of hedging   | 78         | 36         |
| <b>Total revaluation reserves</b>                            | <b>220</b> | <b>376</b> |

### Movements were as follows:

|                               |            |            |
|-------------------------------|------------|------------|
| Balance on January 1          | 376        | 359        |
| Exchange rate differences     | 38         | (75)       |
| Revaluations                  | (82)       | 152        |
| Other                         | (44)       | 6          |
| Transferred to profit or loss | (68)       | (66)       |
| <b>Balance on December 31</b> | <b>220</b> | <b>376</b> |

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                           | 2021      | 2020         |
|--|-----------|--------------|
| <b>The legal reserves can be specified as follows:</b> |           |              |
| Retained profits of investments in associates          | 605       | 402          |
| Software developed in-house                            | 299       | 343          |
| Translation differences                                | (887)     | (1,411)      |
| <b>Total legal reserves</b>                            | <b>17</b> | <b>(666)</b> |
| <b>Movements were as follows:</b>                      |           |              |
| Balance on January 1                                   | (666)     | (106)        |
| From other reserves to legal reserves                  | 159       | 109          |
| Exchange rate differences                              | 524       | (669)        |
| <b>Balance on December 31</b>                          | <b>17</b> | <b>(666)</b> |

## Other Reserves

| Amounts in millions of euros   | 2021          | 2020          |
|--|---------------|---------------|
| <b>The other reserves can be specified as follows:</b>   |               |               |
| Recalibration of pensions  | (173)         | (171)         |
| Fair value changes due to own credit risk on financial liabilities designated at fair value                          | (130)         | (109)         |
| Retained earnings  | 27,567        | 27,367        |
| <b>Total other reserves</b>  | <b>27,264</b> | <b>27,087</b> |
| <b>Movements in the recalibration of pensions:</b>   |               |               |
| Balance on January 1   | (171)         | (170)         |
| Recalibration of pensions  | (2)           | (1)           |
| <b>Balance on December 31</b>  | <b>(173)</b>  | <b>(171)</b>  |
| <b>Movements in the fair value changes due to own credit risk on financial liabilities designated at fair value:</b> |               |               |
| Balance on January 1   | (109)         | (143)         |
| Fair value changes   | (22)          | 35            |
| Realization at derecognition   | 1             | (1)           |
| <b>Balance on December 31</b>  | <b>(130)</b>  | <b>(109)</b>  |
| <b>Movements in retained earnings:</b>   |               |               |
| Balance on January 1   | 27,367        | 26,059        |
| Profit for previous financial year   | 1,055         | 2,158         |
| Distribution to third parties  | (686)         | (234)         |
| Transferred to legal reserves  | (159)         | (109)         |
| Transferred to revaluation reserves  | 46            | (9)           |
| Redemption of Capital Securities   | (27)          | (120)         |
| Disposal of assets   | (31)          | -             |
| Distribution in the form of Rabobank Certificates  | -             | (376)         |
| Other changes  | 2             | (2)           |
| <b>Balance on December 31</b>  | <b>27,567</b> | <b>27,367</b> |

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 3,692 million (2020: EUR 1,096 million); Rabobank's net profit in the company financial statements was EUR 3,596 million (2020: EUR 1,055 million). The difference of EUR 96 million (2020: EUR 41 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  | 2021          | 2020          |
|---|---------------|---------------|
| Equity of Rabobank according to Part 9 of Book 2 of the Dutch Civil Code              | 42,900        | 40,156        |
| Non-controlling interests   | 502           | 476           |
| <b>Equity according to IFRS as presented in the consolidated financial statements</b> | <b>43,402</b> | <b>40,632</b> |

# Notes to the Statement of Income

## 21. Net Interest Income

| Amounts in millions of euros   | 2021          | 2020          |
|--|---------------|---------------|
| <b>Interest income</b>   |               |               |
| Cash and cash equivalents  | 46            | 104           |
| Loans and advances to credit institutions  | 155           | 198           |
| Loans and advances to customers  | 8,260         | 9,280         |
| Derivatives used for fair value hedge-accounting                                 | 199           | 187           |
| Financial assets at fair value through other comprehensive income                | 205           | 398           |
| <b>Interest income from financial assets using the effective interest method</b> | <b>8,865</b>  | <b>10,167</b> |
| Financial assets held for trading  | 31            | 30            |
| Derivatives held as economic hedges  | 1,355         | 1,393         |
| Financial assets mandatorily at fair value                                       | 14            | 20            |
| Interest income on financial liabilities with a negative interest rate           | 1,132         | 309           |
| Other  | 11            | 18            |
| <b>Other interest income</b>   | <b>2,543</b>  | <b>1,770</b>  |
| <b>Total interest income</b>   | <b>11,408</b> | <b>11,937</b> |
| <b>Interest expense</b>  |               |               |
| Deposits from credit institutions  | 61            | 96            |
| Deposits from customers  | 2,875         | 3,246         |
| Debt securities in issue   | 1,485         | 1,964         |
| Financial liabilities held for trading   | 16            | 7             |
| Financial liabilities designated at fair value                                   | 119           | 139           |
| Subordinated liabilities   | 563           | 656           |
| Interest expense on financial assets with a negative interest rate               | 490           | 345           |
| Other  | 45            | 14            |
| <b>Total interest expense</b>  | <b>5,654</b>  | <b>6,467</b>  |
| <b>Net interest income</b>   | <b>5,754</b>  | <b>5,470</b>  |

## 22. Net Fee and Commission Income

| Amounts in millions of euros                                  | 2021         | 2020         |
|---|--------------|--------------|
| <b>Fee and commission income</b>                              |              |              |
| Payment services  | 829          | 728          |
| Lending   | 446          | 441          |
| Purchase and sale of other financial assets and handling fees | 397          | 310          |
| Insurance commissions   | 298          | 292          |
| Other commission income – group companies                     | 2            | 1            |
| Other commission income                                       | 137          | 145          |
| <b>Total fee and commission income</b>                        | <b>2,109</b> | <b>1,917</b> |
| <b>Fee and commission expense</b>                             |              |              |
| Payment services  | 180          | 200          |
| Handling fees   | 23           | 22           |
| Custodial fees and securities services                        | 11           | 9            |
| Other commission expense – group companies                    | 24           | 21           |
| Other commission expense                                      | 34           | 33           |
| <b>Total fee and commission expense</b>                       | <b>272</b>   | <b>285</b>   |
| <b>Net fee and commission income</b>                          | <b>1,837</b> | <b>1,632</b> |

## 23. Income from Equity Interests

| Amounts in millions of euros              | 2021         | 2020       |
|---|--------------|------------|
| Dividend income from shares               | -            | -          |
| Results from interests in group companies | 2,374        | 783        |
| Results from other equity investments     | 119          | 170        |
| Results from disposed interests           | -            | 8          |
| <b>Total income from equity interests</b> | <b>2,493</b> | <b>961</b> |

## 24. Staff Costs

| Amounts in millions of euros                      | 2021         | 2020         |
|---|--------------|--------------|
| Wages and salaries                                | 2,096        | 1,984        |
| Social security contributions and insurance costs | 208          | 212          |
| Pension costs                                     | 371          | 355          |
| Training and travelling expenses                  | 61           | 78           |
| Other staff costs                                 | 843          | 879          |
| <b>Total staff costs</b>                          | <b>3,579</b> | <b>3,508</b> |

The average number of internal and external employees 35,372 (2020: 35,920), of which outside the Netherlands 3,002 (2020: 3,363). Expressed in FTEs, the average number of internal and external employees was 33,563 (2020: 34,484).

## 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        | 2021       | 2020       |
|-------------------------------------|------------|------------|
| Bank tax Netherlands                | 179        | 116        |
| Bank tax other countries            | 9          | 10         |
| Contribution Single Resolution Fund | 226        | 188        |
| Contribution Deposit Guarantee Fund | 223        | 175        |
| <b>Regulatory levies</b>            | <b>637</b> | <b>489</b> |

## 26. Income Tax

The major components of the income tax are included below.

| Amounts in millions of euros  | 2021       | 2020      |
|-------------------------------|------------|-----------|
| <b>Income tax</b>             |            |           |
| Reporting period              | 575        | 278       |
| Adjustments of previous years | 28         | (74)      |
| Deferred tax                  | (149)      | (124)     |
| <b>Total income tax</b>       | <b>454</b> | <b>80</b> |
| Effective tax rate            | 11.2%      | 7.0%      |
| Applicable tax rate           | 25.0%      | 25.0%     |

The effective tax rate differs from the applicable tax rate in 2021 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 11.2% (2020: 7.0%) 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                      | 2021         |            | 2020        |           |
|---|--------------|------------|-------------|-----------|
| Operating profit before taxation                  |              | 4,050      |             | 1,135     |
| Applicable tax rate                               | 25%          | 1,013      | 25%         | 284       |
| Increase/(decrease) in taxes resulting from:      |              |            |             |           |
| Tax-exempt income                                 | (15.6%)      | (632)      | (16.4%)     | (185)     |
| Impact of foreign tax rates                       | (0.1%)       | (4)        | 1.5%        | 17        |
| Non-deductible expenses                           | 2.3%         | 95         | 6.5%        | 74        |
| Recognition of previously unrecognized tax losses | -            | -          | -           | -         |
| Other permanent differences                       | (1.1%)       | (44)       | (5.2%)      | (59)      |
| Adjustments of previous years                     | 0.7%         | 28         | (6.5%)      | (74)      |
| Adjustment due to changes in tax rates            | 0.2%         | 7          | (1.8%)      | (21)      |
| Write-down deferred tax items                     | 0.4%         | 18         | 2.1%        | 24        |
| Other non-recurring tax items                     | (0.7%)       | (27)       | 1.8%        | 20        |
| <b>Total income tax</b>                           | <b>11.2%</b> | <b>454</b> | <b>7.0%</b> | <b>80</b> |



# 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              | 2021          | 2020          |
|---|---------------|---------------|
| Loans and advances to credit institutions | 15,912        | 15,203        |
| Loans and advances to customers           | 14,129        | 17,520        |
| <b>Total</b>                              | <b>30,041</b> | <b>32,723</b> |

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 | 2021       | 2020       |
|------------------------------|------------|------------|
| Due to credit institutions   | 181        | 431        |
| Due to customers             | 121        | 150        |
| <b>Total</b>                 | <b>302</b> | <b>581</b> |

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              |  | 2021          | 2020          |
|---|--|---------------|---------------|
| <b>Assets not freely available:</b>       | <b>Related to type of liabilities:</b>     |               |               |
| Loans and advances to credit institutions | Derivatives                                | 1,443         | 2,174         |
| Loans and advances to customers           | Due to customers, Debt securities in issue | 21,349        | 24,192        |
| Interest-bearing securities               | Due to customers                           | 1,768         | 3,674         |
| <b>Total</b>                              |  | <b>24,560</b> | <b>30,040</b> |

## 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              | 2021          | 2020          |
|---|---------------|---------------|
| <b>Contingent liabilities consist of:</b> |               |               |
| Financial guarantees                      | 6,234         | 5,927         |
| Loan commitments                          | 42,354        | 39,116        |
| Other commitments                         | 23,629        | 23,143        |
| <b>Total contingent liabilities</b>       | <b>72,217</b> | <b>68,186</b> |
| <b>Of which:</b>                          |               |               |
| Contingent liabilities of group companies | 12,666        | 12,734        |

### 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 Financieringsmaatschappij 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. Principal Group Companies

In 2021, 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, 2021             | Share | Voting rights |
|----------------------------------|-------|---------------|
| Principal group companies        |       |               |
| <b>The Netherlands</b>           |       |               |
| DLL International B.V.           | 100%  | 100%          |
| BPD Europe B.V.                  | 100%  | 100%          |
| Obvion N.V.                      | 100%  | 100%          |
| <b>North America</b>             |       |               |
| Utrecht America Holdings Inc.    | 100%  | 100%          |
| <b>Australia and New Zealand</b> |       |               |
| Rabobank Australia Limited       | 100%  | 100%          |
| Rabobank New Zealand Limited     | 100%  | 100%          |

impacted clients to the best of its abilities. There will be impact on global economy, Dutch economy, Rabobank's clients and Rabobank's financial position. The severity of the impact is currently unsure.

## 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. The information on remuneration of the members of the Managing Board and the Supervisory Board is included in Section 49 "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 3,596 million, EUR 686 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

Rabobank is closely monitoring the situation with regard to the Russia-Ukraine conflict. It is to be deeply regretted that, after decades, the European continent is once again faced with such violence, the heart-breaking situations and instability that this brings. Like all other European banks, Rabobank implements sanctions, focuses on continuity in its operations and supports

## 33. Authorization of the Financial Statements

The financial statements were signed by the Supervisory Board and Managing Board on March 7, 2022. The financial statements will be presented for adoption to the General Meeting, to be held on April 13, 2022. 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*

Janine Vos, *Member*

### Supervisory Board

Marjan Trompetter, *Chair*

Jan Nooitgedagt, *Vice Chair*

Gert-Jan van den Akker

Arian Kamp

Petri Hofsté

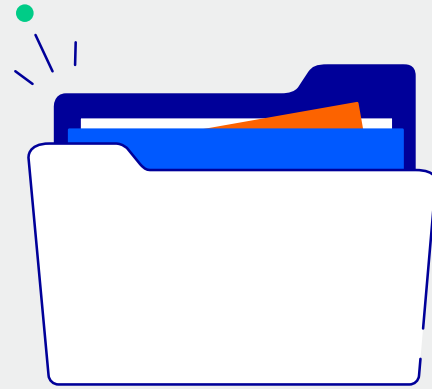
Pascal Visée

Annet Aris

Mark Pensaert

Johan van Hall

# *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 2021

#### Our opinion

In our opinion:

- the consolidated financial statements of Coöperatieve Rabobank U.A. together with its subsidiaries ('the Group', 'Rabobank' or 'the Bank') give a true and fair view of the financial position of the Group as at 31 December 2021 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') give a true and fair view of the financial position of the Company as at 31 December 2021 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 2021 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 2021;
- the following statements for 2021: the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows; and
- the notes to the consolidated financial statements, comprising accounting policies and other explanatory information.

The company financial statements comprise:

- the statement of financial position as at 31 December 2021;
- the statement of income for the year then ended; and
- the notes to the company financial statements, comprising the accounting policies 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*

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. We have further described our responsibilities under those standards in the section 'Our responsibilities for the audit of the financial statements' of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Independence*

We are independent of Coöperatieve Rabobank U.A. in accordance with the European Union 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).

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### *Our audit approach*

We designed our audit procedures with respect to the key audit matters, fraud and going concern, and the matters resulting from that, in the context of our audit of the financial statements as a whole and in forming our opinion thereon. The information in support of our opinion, like our findings and observations related to individual key audit matters, the audit approach fraud risk and the audit approach going concern was addressed in this context, and we do not provide a separate opinion or conclusion on these matters.

### *Overview and context*

Rabobank is an international bank operating on the basis of cooperative principles. Rabobank operates globally in 37 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'), increasing inflation, geopolitical tensions, changes to customer preferences (partly prompted by Covid-19 lockdowns) which require ongoing investments in digitization and high expectations from society towards compliance with laws and regulations. The reliability of information processing is significant to the Group'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 or not sufficiently been identified and/or addressed by management for financial statement purposes. This includes considerations regarding the need for the recognition of a provision or a contingent liability disclosure on the future outcome of further punitive enforcement procedures following the instruction that was received from De Nederlandsche Bank N.V. (DNB) on 23 December 2021 in which DNB determined that Rabobank did not meet the requirements of the Dutch Anti-Money Laundering and Anti-Terrorist



Financing Act (*Wet ter voorkoming van witwassen en financiering van terrorisme*, Wwft). We also identified matters relating to client care exposures. The Bank identified that it did not consistently adjust the interest rate of certain consumer credit products in accordance with the reference rate selected by Kifid. Consequently, we have identified regulatory and client care 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 considered the impairment allowances on loans and advances to customers a key audit matter, given the significant estimation uncertainty in combination with the magnitude. The continuing 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 across the Group's loan portfolio.

Other areas of focus, that were not considered to be key audit matters, were revenue recognition, management override of controls, fair value of financial instruments (more specifically level 2 and level 3 financial instruments including debit/credit valuation adjustments), hedge accounting, recoverability of goodwill and other intangible assets, investments in associates and buildings, taxation (more specifically valuation of deferred tax assets), litigation and other provisions, and accounting for the Bank's benefits from participating in Targeted Longer-Term Refinancing Operations ('TLTRO-III'). 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.

The uncertainty within the current environment and the unprecedented impact of the Covid-19 pandemic continued to add complexity and challenges when auditing accounting estimates such as impairment allowances on loans and advances to customers, impairment assessments on goodwill, buildings, the Bank's equity investment in Achmea B.V. and accounting for the benefits from the Bank's participation in TLTRO-III. 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 engagement team considered the impact of risks resulting from climate change on the audit. These risks impact the financial statements mostly as one of the potential drivers of credit risk exposures of the Group. We therefore did not identify climate-related risks as a separate key audit matter but took this into account as part of the key audit matter on impairment allowances on loans and advances to customers.

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.

The outline of our audit approach was as follows:



### Materiality

- Overall materiality: €175 million (2020: €120 million).

### Audit scope

- We conducted audit work on 15 components.
- Video conferencing meetings with the component teams and local Rabobank management in the following locations: the Netherlands, USA, Australia, New Zealand and Brazil.
- For the significant components, we have gained digital access to component files and performed a remote review of selected working papers of the work performed by component auditors. With respect to Achmea, we performed a physical review of selected working papers of the work performed.
- Audit coverage: 93% of total assets, 94% of profit before tax and 94% of net interest income.

### Key audit matters

- Impairment allowances on loans and advances to customers.
- Regulatory and client care exposures.
- Design and effectiveness of IT general controls.

### Materiality

The scope of our audit was 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.

|  |  |
|--|--|
| <b>Overall group materiality</b>         | €175 million (2020: €120 million).   |
| <b>Basis for determining materiality</b> | We used our professional judgement to determine overall materiality. As a basis for our judgement, we used 5% of the weighted average of profit before tax of the current 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. Therefore, 2019 and 2020 profit before tax each represent 25% of the weighted average, whereas 2021 profit before tax represents 50%. Compared to last year, our basis for determining materiality remained unchanged. |
| <b>Rationale for benchmark applied</b>   | 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. We applied a three-year average of profit before tax as outlined above. Applying 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 reflects the Bank's scale of operations. Furthermore, we utilised a 5% threshold, based on our professional judgement, noting it is within the range of commonly acceptable thresholds and the predominant threshold used for a bank with similar characteristics.

#### **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 €32.5 million and €80 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 focused 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 any misstatement identified during our audit above €8.75 million (2020: €6 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, considering 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 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). 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 twelve additional components for full scope audit, audit of certain specific account balances, and specified procedures.

In total, in performing these procedures, we achieved the following coverage on the financial statement line items:

|                          |     |
|--------------------------|-----|
| <b>Revenue</b>           | 94% |
| <b>Total assets</b>      | 93% |
| <b>Profit before tax</b> | 94% |



None of the remaining components represented individually more than 2% 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, but also include Property Development, Obvion, the Bank's equity investment in Achmea 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. Except for Achmea, 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 have gained digital access to component files and performed a remote review of selected working papers of the work performed by component auditors. With respect to Achmea, we performed a physical review of selected working papers of the work performed.

Since the Covid-19 outbreak limited our ability to physically visit 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/New Zealand and Brazil instead of our annual physical site visits. 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 active dialogues, clear communication and effective use of technology have allowed us to direct and supervise the performance of our component teams.

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.



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 in the testing of design and operating effectiveness of certain controls (mainly relating to IT general controls, group functions, loan impairment provisioning, Domestic Retail Banking Netherlands, Wholesale and Rural in the Netherlands), and procedures performed over individually assessed credit-impaired loans. To arrive at this conclusion, we evaluated the competence, 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 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.

### *Audit approach fraud risks*

We identified and assessed the risks of material misstatements of the financial statements due to fraud. During our audit we obtained an understanding of the Group and its environment and the components of the system of internal control, including the risk assessment process and the Managing Board's process for responding to the risks of fraud and monitoring the system of internal control and how the Supervisory Board exercises oversight, as well as the outcomes. We refer to note 4.8 'Operational Risk' in the financial statements on how the risk of fraud is managed and mitigated by the Bank. This includes the risk assessment process and the Managing Board's process for responding to the risks of fraud and monitoring the system of internal control and how the Supervisory Board exercises oversight, as well as the outcomes thereof.

As part of our process of identifying fraud risks, we evaluated fraud risk factors with respect to financial reporting fraud, misappropriation of assets and bribery and corruption. Together with our forensic specialists, we evaluated the risk of material misstatement due to fraud to the financial statements. We conducted interviews with both members of the Managing Board and the Supervisory Board and of others within the Bank, including the internal audit, legal and compliance departments, to obtain an understanding of the Bank's fraud risk assessment and of the processes for identifying and responding to the risks of fraud and the internal controls that the Managing Board has established to mitigate these risks. As described in the auditing standards, management override of controls and risk of fraud in revenue recognition are presumed risks of fraud. Inherently, management of a company is in a unique position to perpetrate fraud because of management's ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We addressed this risk of management override of controls, including evaluating whether there was evidence of bias in management's estimates and judgements that may represent a risk of material misstatement due to fraud (we refer in this respect to the key audit matters 'impairment allowances on loans and advances to customers' and 'regulatory and client care exposures').

The audit procedures to respond to the assessed risks include, amongst others, evaluation of the design and the implementation of internal controls that intend to mitigate fraud risks (such as processing and review of journal entries), back testing of prior year's estimates, and procedures on unexpected journal entries with the support of data analytics. Furthermore, we paid attention to significant transactions outside the normal course of business. With regards to the risk of fraud in revenue recognition, based on our risk assessment procedures, we concluded that this risk is related to revenue recognition in





areas that are more complex, non-systematic or manual in nature such as fee and commission income in the Wholesale and Rural segment and Domestic Retail Banking segment, property development income in the Property Development segment and the valuation of equity investments held by Rabo Corporate Investments. We instructed our component auditors to perform procedures over this risk, including evaluation of the design and implementation of relevant internal controls, and procedures over revenue recognition such as testing a sample of fees and commissions to ensure that the income recorded is accurate and had occurred, cut-off procedures to identify potential shifts in property development income, and the appropriateness of the valuation methodologies, inputs and assumptions applied in the valuation of equity investments. We incorporated elements of unpredictability in our audit. We also considered the outcome of our other audit procedures and evaluated whether any findings were indicative of fraud or non-compliance.

Finally, 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.

This did not lead to indications of fraud potentially resulting in material misstatements.

### *Audit approach to non-compliance with laws and regulations*

The objectives of our audit, with 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 amongst others 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. Those include amongst others 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, as described in the key audit matter: 'regulatory and client care 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.

### *Audit approach on going concern*

As disclosed in paragraph 'Going concern' in note 2.1 to the financial statements, the Managing Board performed their assessment of the Group's ability to continue as a going concern for the foreseeable future and has not identified events or conditions that may cast significant doubt on the Group's ability



to continue as a going concern (hereafter: going concern risks). Our procedures to evaluate management's going concern assessment include, amongst others:

- Considering whether the Managing Board's going concern assessment includes all relevant information of which we are aware as a result of our audit.
- Understanding and evaluating the Bank's medium-term planning and budget process (including the Group's funding plan), specifically for the next twelve months.
- Understanding and evaluating the Group's financial position and stress testing of liquidity and regulatory capital requirements, including the severity of the stress scenarios that were applied.
- Considering the results of our (other) risk assessment procedures and related activities performed to identify events or conditions that may cast significant doubt on the Group's ability to continue as a going concern.
- Performing inquiries of the Managing Board as to their knowledge of going concern risks beyond the period of their assessment.
- Reading and evaluating the adequacy of the disclosures in paragraph 'Going concern' in note 2.1 to the financial statements in relation to going concern.

Our procedures did not result in outcomes contrary to the Managing Board's assumptions and judgements used in the application of the going concern assumption.

### *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 the 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.

As compared to last year, there have been no changes in key audit matters, except that the key audit matter on regulatory exposures this year also covers client care exposures. 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 these key audit matters. These are described in more detail in the individual key audit matters below.

#### ***Key audit matter***

##### ***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 11 'Loans and advances to customers'.

In accordance with the requirements of IFRS 9, Rabobank calculated the impairment allowances on loans and advances to customers using a three-stage expected credit loss impairment model. Rabobank determined 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

#### ***Our audit work and observations***

##### ***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,



### Key audit matter

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 macro economic 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 macroeconomic 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.

To date Rabobank's models do not (yet) specifically measure or quantify the impact of risk resulting from transitional or physical climate change impact into the credit risk provisions. Furthermore, the Bank does consider the impact of transitional or physical climate risks on the credit rating setting of certain counterparties. Also, the Bank considers the need for top level adjustments in specific sectors and regions in response to extreme climate conditions.

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 recognized in relation to Covid-19 and climate exposure for the following matters:

- An adjustment of €458 million to reflect the risk of expected further defaults related to Covid-19. Based on management's judgement, the IFRS 9 model outcome related to business loans 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;
- An adjustment of €30 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'); and
- An adjustment of €3.6 million for additional credit risks due to changing climate conditions.

In addition, two other important top level adjustments

### Our audit work and observations

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;
- 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 as at 31 December 2020; and
- Evaluated the reasonableness of the prepayment rate 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 as at 31 December 2021 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 recognized 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



### Key audit matter

have been recognized: 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 optimizing 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;
- Judgement 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;
- Judgement 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 used in 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 developments or data quality or to reflect the risk of expected further defaults due to Covid-19;
- Judgement is required in estimating the impact of transitional or physical climate related risks on expected future cash flows; and
- Judgement is required for the estimation of the expected future cash flows and the weighting of the three scenarios for credit-impaired loans and advances that are assessed on an individual basis.

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.

### Our audit work and observations

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, for this estimation but also together with other estimations, and concluded that the resulting impairment allowances are not indicative of such bias.

In response to the impact of risk resulting from climate change on credit risk, we evaluated both corroborative and contradictory information on whether climate related adjustments were necessary to balance underlying model and data limitations. For that purpose, we evaluated managements risk analysis of the potential impact change on certain client sectors. Furthermore, we performed inquiry with both management at group level and management in the main territories. We also evaluated other information gathered from our audit procedures, such as the assessment of the top level adjustments relating to climate risk, and our assessment of client rating settings on certain client exposures.

#### 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 2021. This included the following procedures:

- Evaluating 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;
- Assessing the external collateral valuator's credentials that we challenge 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.



## Key audit matter

### Regulatory and client care exposures

Refer to note 4.10 'Legal and Arbitration Proceedings'.

#### Completeness of identification of emerging compliance areas

We identified that the risk of non-compliance with laws and regulations on one hand relates to laws and regulations which have an indirect impact on the financial statements, such as Anti-Money Laundering and Anti-Terrorist Financing Act (Wwft) (inclusive regulations on Anti-Money Laundering (AML) in other territories relevant for Rabobank, 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).

On the other hand, the risk of non-compliance with laws and regulations may also have a direct effect on the financial statements. In this respect, Rabobank disclosed in note 4.10 'Legal and Arbitration Proceedings' that on 23 December 2021 the Bank received an instruction from DNB in response to the Bank's ongoing non-compliance with AML and KYC regulations. DNB informed the Bank that a separate punitive enforcement procedure would commence in this respect. Furthermore, the Bank recorded a provision of €249 million to cover for the incremental costs to resolve backlog files in client due diligence and transaction monitoring.

Also, the Bank disclosed in note 4.10 'Legal and Arbitration Proceedings' that it did not consistently adjust the interest rate of certain consumer credit products in accordance with the reference rate selected by Kifid. Therefore, Rabobank recorded a provision of €333 million to compensate part of its clients with certain consumer credit products with a variable interest rate.

#### Management judgement

The recognition and measurement of provisions and the disclosure of contingent liabilities require considerable management judgement around the future outcome of further punitive actions, client care and regulatory investigations, including the provision of €249 million to cover for the incremental costs to resolve backlog files in client due diligence and transaction monitoring

## Our audit work and observations

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.

### General

We obtained an understanding of the significant laws and regulations with which the Bank must follow 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 Bank (FRB) and the European Central Bank (ECB). Also, we met 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. 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.

From our audit work, 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 Netherlands (including the instruction received from the DNB) and the USA. We obtained an understanding of the initiatives which are part of these programs through reading of program deliverables, inquiry of the program owners, Managing Board, Audit Committee, reading correspondence with AFM, DNB, Federal Reserve and ECB related to these





### Key audit matter

and the provision of €333 million in relation to client compensation for certain consumer credit products with a variable interest rate.

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 including to what extent there is evidence of management bias. Therefore, we determined this to be a key audit matter in our audit.

### Our audit work and observations

matters and discussed the outcomes of audits performed by the Bank's internal audit department with respect to AML and KYC.

With respect to the provision to cover for the incremental costs to resolve backlog files in client due diligence and transaction monitoring and the provision in relation to client compensation for certain consumer credit products with a variable interest rate we performed audit procedures to assess the accuracy and completeness of these provisions, including validating key assumptions and source data. Also, we assessed to what extent there was evidence of bias by management in determining both these provisions.

Finally, we assessed the disclosures that were made in highlighting the uncertainties and exposures of contingent liabilities due to non-compliance with laws and regulations. When doing so, we paid specific attention to the disclosure on the further punitive action in response to the instruction received from DNB and the disclosure on application of the variable interest rate conditions for certain products included in note 4.10 'Legal and Arbitration Proceedings' of the financial statements.

### 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:

- 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 operate 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 and may provide opportunities to commit fraud.

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.

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 authorizations within applications and privileged access rights to applications, databases and operating systems. 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 2021 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 monitoring of batch processing, back-up and disaster recovery testing and incident management; and
- Management of cybersecurity, through understanding of Rabobank's approach to





### **Key audit matter**

During system transitions there is an increased risk that ITGCs are not operated 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.

### **Our audit work and observations**

enhancing cybersecurity and evaluating the status of the implementation in certain critical areas.

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**

The annual report contains other information. This includes all information in the annual report in addition to the financial statements and our auditor's report thereon.

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;
- contains all the information regarding the directors' report and the other information that is required by Part 9 of Book 2 and regarding the remuneration report required by the sections 2:135b and 2:145 subsection 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and the 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 of Book 2 and section 2:135b subsection 7 of the Dutch Civil Code and the Dutch Standard 720. The scope of such procedures was substantially less than the scope of those procedures performed in our audit of the financial statements.

The Managing Board is responsible for the preparation of the other information, including the directors' report and the other information in accordance with Part 9 of Book 2 of the Dutch Civil Code. The Managing Board and the Supervisory Board are responsible for ensuring that the remuneration report is drawn up and published in accordance with sections 2:135b and 2:145 subsection 2 of the Dutch Civil Code.

## **Report on other legal and regulatory requirements and ESEF**

### **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 sixth year as auditors of Coöperatieve Rabobank U.A., with an annual renewal subject to approval by the General Members Council.



### ***European Single Electronic Format (ESEF)***

Coöperatieve Rabobank U.A. has prepared the annual report, including the financial statements, in ESEF. The requirements for this format are set out in the Commission Delegated Regulation (EU) 2019/815 with regard to regulatory technical standards on the specification of a single electronic reporting format (these requirements are hereinafter referred to as: the RTS on ESEF).

In our opinion, the annual report prepared in XHTML format, including the partially marked-up consolidated financial statements as included in the reporting package by Coöperatieve Rabobank U.A., complies, in all material respects with the RTS on ESEF.

The Managing Board is responsible for preparing the annual report, including the financial statements, in accordance with the RTS on ESEF, whereby the Managing Board combines the various components into a single reporting package. Our responsibility is to obtain reasonable assurance for our opinion on whether the annual report in this reporting package, complies with the RTS on ESEF.

Our procedures, taking into account Alert 43 of the NBA (Royal Netherlands Institute of Chartered Accountants), included amongst others:

- Obtaining an understanding of the entity's financial reporting process, including the preparation of the reporting package.
- Obtaining the reporting package and performing validations to determine whether the reporting package, containing the Inline XBRL instance document and the XBRL extension taxonomy files, has been prepared, in all material respects, in accordance with the technical specifications as included in the RTS on ESEF.
- Examining the information related to the consolidated financial statements in the reporting package to determine whether all required mark-ups have been applied and whether these are in accordance with the RTS on ESEF.

### ***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 48 'Cost of external independent auditor' to the financial statements.

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## ***Responsibilities for the financial statements and the 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 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 Company'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 Company or to cease operations or has no realistic alternative but to do so. The Managing Board should disclose in the financial statements any event and circumstances that may cast significant doubt on the Company's ability to continue as a going concern.

The Supervisory Board is responsible for overseeing the Company's financial reporting process.

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### ***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 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, 8 March 2022  
PricewaterhouseCoopers Accountants N.V.

Original has been signed by J.M. de Jonge RA



## ***Appendix to our auditor's report on the financial statements 2021 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 Company'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 Company'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 Company 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 consolidated 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 the



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.



## *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, 2021, 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 2021 (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 effectively, 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.

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### *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.



## ***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 54 '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, 8 March 2022

PricewaterhouseCoopers Accountants N.V.

Original has been signed by J.M. de Jonge 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 2021*

#### *Our conclusion*

Based on our review nothing has come to our attention that causes us to believe that the non-financial information, specified in the section 'Wat we have reviewed', as included in the Annual Report 2021 of Coöperatieve Rabobank U.A. 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 sustainability; and
- the thereto related events and achievements for the year ended 31 December 2021, in accordance with the International Integrated Reporting Framework (hereafter: the International <IR> Framework) of the International Integrated Reporting Council (hereafter: the IIRC) and the supplemental reporting criteria applied as included in the section 'Reporting criteria'.

#### *What we have reviewed*

We have reviewed the non-financial information included in the following sections of the Annual Report for the year ended 31 December 2021 (hereafter: "the non-financial information"):

- About Us;
- Creating Value;
- Excellent Customer Focus;
- Meaningful Cooperative;
- Rock-Solid Bank;
- Empowered Employees; and
- Appendices
  - Appendix 1: About this Report
  - Appendix 2: Methodology & Definitions of Non-Financial Key Figures 2021

This review is aimed at obtaining a limited level of assurance.

#### *The basis for our conclusion*

We conducted our review in accordance with Dutch law, including Dutch Standard 3810N 'Assuranceopdrachten inzake maatschappelijke verslagen' ('Assurance engagements on corporate social responsibility reports').

Our responsibilities under this standard are further described in the section 'Our responsibilities for the review of the non-financial information' of our report.

We believe that the assurance evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

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### *Independence and quality control*

We are independent of Coöperatieve Rabobank U.A. (hereafter: 'Rabobank' or 'the company') 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 together with the reporting criteria. The reporting criteria used for the preparation of the non-financial information are the International <IR> Framework of the IIRC and the applied supplemental reporting criteria, as disclosed in Appendix 1: 'About this Report' and Appendix 2: 'Methodology & Definitions of Non-Financial Key Figures 2021' 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 expectations on ambitions, strategy, plans and estimates and risk assessments. Inherent to prospective information, the actual future results are uncertain, and are likely to differ from these expectations. These differences may be material. We do not provide any assurance on the assumptions and achievability of prospective information.

In the non-financial information references are made to external sources and/or websites. The information on these external sources or websites is not part of the non-financial information reviewed by us. We therefore do not provide assurance on this information.

Our conclusion is not modified in respect to these matters.

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## ***Responsibilities for the non-financial information and the review thereon***

### *Responsibilities of the Managing Board and Supervisory Board for the non-financial information*

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 selecting the reporting criteria, the identification of stakeholders, determining the material matters and determining that the applicable reporting criteria are acceptable in the circumstances taking into account applicable laws and regulations related to reporting. The choices made by the Managing Board regarding the scope of the non-financial information and the reporting



policies are summarized in Appendix 1: ‘About this Report’ and Appendix 2: ‘Methodology & Definitions of Non-Financial Key Figures 2021’ of the Annual Report.

Furthermore, the Managing Board is responsible for such internal control as the Managing Board 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 a review engagement in a manner that allows us to obtain sufficient and appropriate assurance evidence to provide a basis for our conclusion.

Our objectives are to obtain a limited level of assurance to determine the plausibility of the non-financial information. The procedures vary in nature and timing from, and are less in extent, than for a reasonable assurance engagement. The level of assurance obtained in a review is therefore substantially less than the assurance obtained in an audit in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks.

### *Procedures performed*

We have exercised professional judgement and have maintained professional skepticism throughout the review, in accordance with the Dutch Standard 3810N, ethical requirements and independence requirements. Our procedures included, amongst other things, the following:

- Performing an analysis of the external environment and obtaining an understanding of relevant social themes and issues, the characteristics of the company and the themes that are most relevant to achieve the company’s strategy and value creation model.
- Obtaining an understanding of the value creation model 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, but not for the purpose of expressing a conclusion on the effectiveness of the Company’s internal control.
- 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 error. Designing and performing further assurance procedures aimed at determining the plausibility of the non-financial information responsive to this risk analysis.
- Our other procedures consisted amongst others of:
  - Interviewing management (and/or relevant staff) at corporate (and business/division/cluster/local) 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 non-financial information;
  - 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;
- Considering whether the non-financial information as a whole, including the disclosures, reflects the purpose of the reporting criteria used.

We communicated with the Supervisory Board regarding, among other matters, the planned scope and timing of the review and significant findings that we identify during our review.

Amsterdam, 8 March 2022

PricewaterhouseCoopers Accountants N.V.

Original has been signed by J.M. de Jonge RA

