

Rating Report

Coöperatieve Rabobank U.A.

DBRS Morningstar

23 December 2020

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Sonja Förster
 Vice President - Global Financial Institutions Group
 +49 69 8088 3510
sonja.forster@dbrsmorningstar.com

Lito Chousiada
 Assistant Vice President - Global Financial Institutions Group
 +44 207 855 6695
lito.chousiada@dbrsmorningstar.com

Elisabeth Rudman
 Managing Director - Head of EU FIG
 +44 20 7855 6655
elisabeth.rudman@dbrsmorningstar.com

Ratings

Issuer	Debt	Rating	Rating Action	Trend
Coöperatieve Rabobank U.A.	Long-Term Issuer Rating	AA	Trend Change	Negative
Coöperatieve Rabobank U.A.	Short-Term Issuer Rating	R-1 (high)	Trend Change	Negative
Coöperatieve Rabobank U.A.	Intrinsic Assessment	AA	--	--

Rating Drivers

Factors with Positive Rating Implications

An upgrade of the Long-Term Issuer rating is unlikely given the Negative trend and the already high rating level. A return of the trend to Stable would require a material improvement in profitability metrics, whilst maintaining a low risk profile and robust capital levels.

Factors with Positive Rating Implications

A downgrade of the Long-Term Issuer Rating could arise if profitability and asset quality metrics deteriorate significantly, despite mitigating initiatives. A significant reduction in capital cushions would also increase negative rating pressure.

Rating Considerations

Franchise Strength (Very Strong/Strong)

- Strong universal franchise in its domestic Dutch market, complemented by a strong global franchise in the Food & Agri sector.

Earnings Power (Strong/Good)

- Resilient earnings generation ability with cost management remaining a key priority. Loan loss provisions to increase as a result of the COVID-19 outbreak.

Risk Profile (Strong)

- Asset quality is sound, but likely to deteriorate due to the COVID-19 outbreak.

Funding and Liquidity (Very Strong/Strong)

- Solid funding profile, supported by a stable deposit base. The loan-to-deposit ratio has decreased in H1 2020 due to deposit inflow, however, it remains on the high side, reflecting structural characteristics of the Dutch market. Diversified funding sources, as well as good access to capital markets. Liquidity remains sound.

Capitalisation (Strong)

- Robust capitalisation levels, with significant cushions over regulatory minimums. The Group is in a good position to manage the impact from additional regulatory capital requirements.

Financial Information

Coöperatieve Rabobank U.A.	2020H1	2019H1	2019Y	2018Y	2017Y
EUR Millions					
Total Assets	620,117	606,834	590,598	590,437	602,991
Equity Attributable to Parent	39,282	39,563	40,870	41,755	39,135
Income Before Provisions and Taxes (IBPT)	1,809	2,049	4,010	4,186	3,585
Net Attributable Income	214	1,195	2,157	2,944	2,616
IBPT over Avg RWAs (%)	1.76	2.01	1.97	2.10	1.75
Cost / Income ratio (%)	65.29	63.96	65.35	65.17	70.18
Return on Avg Equity (ROAE) (%)	1.07	5.88	5.22	7.28	6.61
Gross NPLs over Gross Loans (%)	3.31	3.78	3.52	4.17	4.17
CET1 Ratio (Fully-Loaded) (%)	16.60	15.75	16.30	16.02	15.50

Source: DBRS Morningstar Analysis; Copyright © 2020, S&P Global Market Intelligence*.

Issuer Description

Coöperatieve Rabobank U.A. (Rabobank or the Group) is a Dutch cooperative banking group. The Group consists of 86 local Rabobanks and operates as a single legal entity with one banking license. Rabobank's international presence, which is primarily focused on the Food & Agri sector, extends to 38 countries globally.

Rating Rationale

The Intrinsic Assessment of AA reflects the Group's very strong retail and commercial franchise in the Netherlands, as well as its global franchise in food & agriculture financing. It also takes into account the Group's robust regulatory capital position and substantial cushions over minimum regulatory requirements, which should withstand the impact of the expected asset quality deterioration due to the coronavirus (COVID-19) pandemic.

The Negative Trend reflects DBRS Morningstar's view that the scale of economic and market disruption resulting from the COVID-19 pandemic is negatively affecting the Group's operating environment. Despite the relative resilience of the Dutch economy, this will likely translate into lower revenues and higher than average loan loss provisions in FY2020-21 for the Group, on the back of profitability and efficiency levels that are already modest relative to similarly rated peers.

The implications for the medium to long-term will depend on the evolution of the outbreak, the length of the economic disruption, as well as the transition phase of the recovery. Downward rating pressure would intensify should the crisis be prolonged.

Franchise Strength

Grid Grade: Very Strong/Strong

Rabobank is a leading Dutch bank with total assets of EUR 620 billion at end-June 2020. The Group offers a wide range of products and services across Retail Banking, Wholesale Banking, Rural Banking, Private Banking, Leasing and Real Estate. The Group has a very strong domestic position in mortgage lending, with a market share of 22%, while internationally Rabobank is an acknowledged global leader in the Food & Agri sector. The Group's global presence extends to 38 countries.

Since 2016, the Group has been executing the Strategic Framework 2016-2020, having made solid progress towards its capital and funding targets (Exhibit 1). However, the more challenging operating environment, including prolonged low interest rates, elevated compliance and digitalisation costs and the more uncertain macroeconomic development, has resulted in Rabobank postponing some of these targets further into the future while some shorter-term ambitions, for FY2022 have been announced (Exhibit 1).

Exhibit 1 Progress vs. Financial Targets

		2017	2018	2019	H1 2020	Ambitions 2022	Longer-Term Ambitions
Capital	CET1 Ratio	15.50%	16.00%	16.30%	16.60%	>14%	> 14% (FL)
Profitability	Cost/income ratio (incl. regulatory levies)	71.30%	65.90%	63.80%	65.30%	low 60%	mid 50%
	Return on Equity	6.70%	7.30%	5.30%	1.10%	6-7%	>8%

Source: DBRS Morningstar, Company Documents

DESCRIPTION OF OPERATIONS

Rabobank operates in the following four main segments: (i) Domestic Retail Banking, (ii) Wholesale, Rural & Retail, (iii) Leasing, (iv) Property Development.

Domestic Retail Banking – Operating profit before tax of EUR 672 million in H1 2020

The Domestic Retail Banking (DRB) segment serves Rabobank's domestic retail and SME customers through the local Rabobanks and Obvion (a mortgage lender). Rabobank has 8.0 million private customers and 800,000 corporate customers in its domestic Dutch market, where the Group enjoys market shares of 33% in savings, 22% in mortgage lending and around 85% in primary Food & Agri customers.

Wholesale, Rural & Retail – Operating loss before tax of EUR 152 million in H1 2020

The Wholesale Rural & Retail Banking (WRR) segment serves large Dutch and foreign corporate customers, with the primary focus being in the food and agribusiness sector. This division also incorporates the Group's international capital-markets businesses such as Markets, Corporate Finance, and Trade and Commodity Finance.

Leasing – Operating profit before tax of EUR 76 million in H1 2020

Rabobank provides vendor finance globally through DLL, its fully-owned leasing subsidiary. DLL offers asset-based financial solutions to manufacturers, distributors and end-users in the sectors of Agriculture, Food, Healthcare, Clean Technology, Construction, Transportation, Industrial, Office Equipment and Technology Industries

Property Development – Operating profit before tax of EUR 41 million in H1 2020

This segment primarily consists of the activities of Bouwfonds Property Development (BPD), which is active in retail and corporate real estate especially in the development of residential areas, property finance and real estate fund management. The main countries of operation are the Netherlands and Germany.

The segment 'Other segments', which had a negative pre-tax profit contribution of EUR 266 million in H1 2020, includes various subsegments of which no single segment meets the criteria for separate disclosure. It mainly comprises the financial results of investments in associates (in particular Achmea B.V.), Treasury and Head Office operations.

Earnings Power

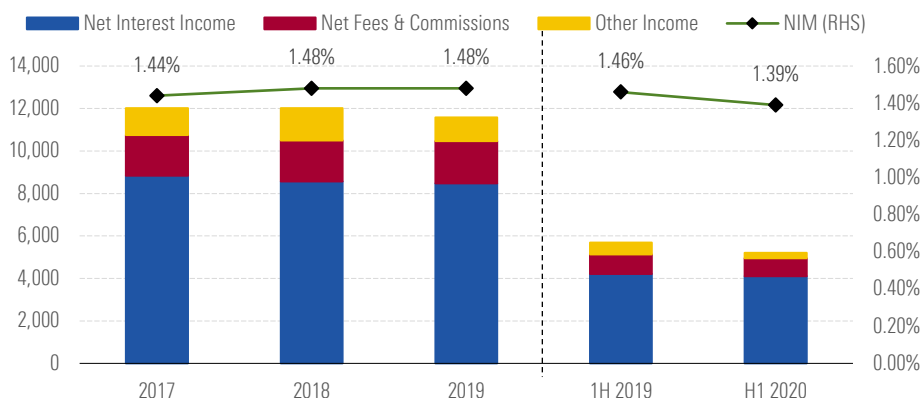
Grid Grade: Strong/Good

DBRS Morningstar considers that Rabobank has demonstrated good earnings in recent years, although at lower levels than peers, partly reflecting the Group's lower risk profile. With regards to - FY2020-21, we expect that the economic consequences stemming from the COVID-19 pandemic and the low interest rate environment will translate into lower revenues and higher loan loss provisions.

In H1 2020, the Group reported net profit of EUR 227 million, or 81% lower than in H1 2019. The decrease was almost entirely attributable to the impact of the COVID-19 pandemic, which resulted in the Bank recording a significant increase in impairments charges, while a 8% reduction in operating expenses (or 6% including regulatory levies) was largely offset by an 8% decrease in operating income. Rabobank's return on equity was 1.1% in H1 2020 (FY2019: 5.3%) compared to the Bank's short-term ambition of 6-7%. Overall, profitability remains low when compared to similarly rated global peers.

Net interest income (NII), which is a key revenue driver for the Group, accounting for 79% of underlying total income in H1 2020, was negatively affected by the persistently low interest rate environment but also by the divestment of Rabobank's international retail activities in mid-2019, and was down 3% year-on-year. Positively, NII was up 1% on H1 2019 on an underlying basis, mainly as a result of W&R's NII being up 7% Yoy, reflecting average higher commercial margins and higher lending volumes. Net fee and commission income was down 8% yoy, mainly due to lower activity in the capital markets and corporate finance businesses, while other income decreased to EUR 267 million (H1 2019: EUR 549 million) on negative revaluations of assets and lower contributions from equity stakes. Overall, total income was down 8% on a statutory basis and 6% on an underlying basis. We expect operating revenues to have continued to weaken in H2 2020 in spite of the higher levels of wholesale lending activity in H1 2020, as a result of the ongoing pressure from the ultra-low interest rates, but also lower lending volumes.

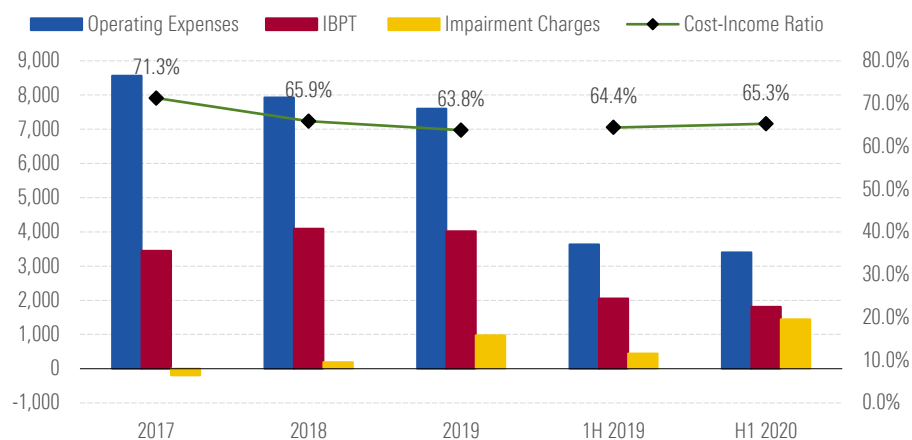
Exhibit 2 Profitability Breakdown Evolution (EUR million)



Source: DBRS Morningstar, Company Documents. Copyright © 2020, S&P Global Market Intelligence.

Rabobank continues to proactively manage costs, however, the cost-income ratio will likely remain above 60% in the short term due to the ongoing revenue pressure. Operating expenses (including regulatory levies) were down 6% YoY to EUR 3.6 billion, partly due to the divestment of the Bank’s international retail activities and the subsequent lower levels of staff costs, but also due to lower administrative expenses, including restructuring costs. Despite these efforts, Rabobank’s efficiency levels compare unfavorably with similarly rated global peers, with the Group’s cost-income ratio (including regulatory levies) standing at 63.8% in FY2019 and at 65.3% in H1 2020, with the increase in the H1 2020 resulting from COVID-19 related pressure on revenues and the continuous impact of the low interest rate environment. Rabobank remains committed towards reducing its cost-to-income ratio to the low 60’s for FY2022 and to the mid-50’s in the longer term. DBRS Morningstar continues to view that improving efficiency is important for the Group’s rating level, however, the combination of low interest rates and continuous investments in compliance and digitalisation is likely to challenge the Group’s ambitions.

Exhibit 3 Profitability & Cost-Income Evolution (EUR million)



Source: DBRS Morningstar, Company Documents. Copyright © 2020, S&P Global Market Intelligence.

Rabobank’s credit impairment charges on financial assets increased substantially to EUR 1,442 million in H1 2020, from EUR 440 million in H1 2019. Around 62% of this amount represented

impairments of performing Stage 1 & 2 loans due to the deteriorating economic outlook as a result of the COVID-19 pandemic. Even though still manageable, credit impairment charges represented approximately 80% of the Group's income before provisions and taxes of EUR 1.8 billion in H1 2020 (the figure includes regulatory levies), and this compares to 21% in H1 2019. The Group's cost of risk increased to 69 bps in H1 2020, from 21 bps in H1 2019 and 23 bps in FY2019, with Rabobank expecting impairment charges of EUR 2-2.5 billion for FY2020, which equates to cost of risk of around 50-60 bps. This is not out of line with most European peers, however, we will continue to monitor macroeconomic developments in the Group's main countries of operation, and, particularly in the Netherlands.

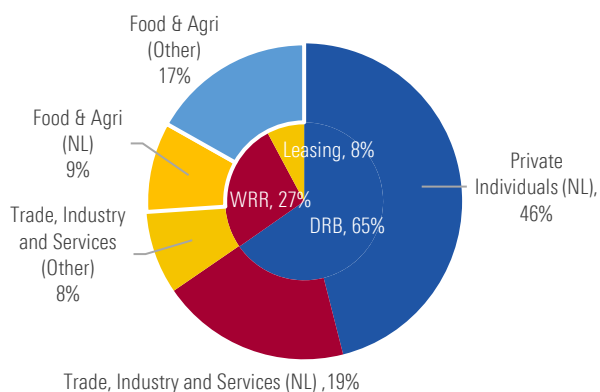
Risk Profile

Grid Grade: Strong

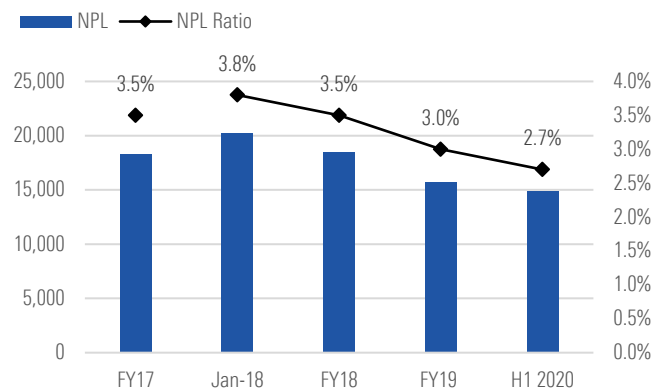
Credit Risk

In DBRS Morningstar's view Rabobank's risk profile is conservative. The loan portfolio is weighted towards the Netherlands, at about 71% of the private sector loan book (this includes retail, wholesale, leasing and property development loans). Asset quality to date has benefitted from the benign credit environment in the Netherlands, however, we anticipate that Rabobank's asset quality indicators will be adversely affected by the COVID-19 pandemic.

Rabobank's private sector loan portfolio totalled EUR 415.4 billion at end-June 2020, representing 93.5% of the Group's total loans and advances to customers. The private sector loan portfolio is comprised of Domestic Retail Banking (DRB) loans (65%), followed by Wholesale, Rural & Retail (WRR) loans (27%) and leasing (8%). Dutch residential mortgage loans represent the single largest exposure by sector and stood at EUR 188 billion, or 45% of the total private sector loan book at end-June 2020. The remainder of the portfolio appears well diversified by sector with trade, industry and services accounting for 27% of the book and with Food & Agri accounting for 26% at end-June 2020 (Exhibit 4). In terms of geographical split, the portfolio is mainly concentrated in the Netherlands (71%), followed by North America (10%), Europe (8%), Australia and New Zealand (6%), Latin America (3%) and Asia (2%).

Exhibit 4 Private Sector Loan Portfolio, end-June 2019

Source: DBRS Morningstar, Company Documents

Exhibit 5 NPL Evolution (EUR million)

Source: DBRS Morningstar, Company Documents.

Asset quality continues to be sound with an NPL ratio, under the EBA definition, of 2.7% at end-June 2020, down from 3.0% at end-2019 (Exhibit 5). During 2020, Rabobank managed to reduce its NPLs by 5.5% to EUR 14.8 billion (Exhibit 5), mainly as a result of proactive NPL management. However, in our view Rabobank's asset quality indicators will deteriorate in coming quarters. Measures by the Dutch government coupled with the Group's own measures are likely to have absorbed some but not all of the negative impact from the COVID-19 pandemic, which we expect to materialise over time. We highlight that Stage 2 loans, i.e. loans for which credit risk has increased significantly since initial recognition and which are seen as early indicators of deteriorating asset quality, accounted for 9.3% of the loan portfolio at end-June 2020, compared to 4.4% at end-2019. The increase reflected the deterioration in the economic outlook as a result of the COVID-19 outbreak along with management's adjustments.

The domestic residential mortgage portfolio of EUR 188 billion remains healthy, with an NPL ratio of 0.79% at end-June 2020, down from 0.86% at end-2019 and 0.97% at end-June 2019. Notably, less than 1% of the mortgage portfolio has been subject to payment holidays since the COVID-19 outbreak. With regards to the Dutch housing market, we do not anticipate a material impact from the challenging macroeconomic environment, as limited housing supply and sound demand for housing should continue supporting market dynamics in 2021. Positively, the loan-to-value ratio (LTV) of Rabobank's Dutch residential mortgages portfolio continued its downwards trend and was 59% at end-June 2020. The share of residential mortgages with an LTV above 100% reduced further to 3.1% at end-June 2020, from 4.7% at end-June 2019. The portion of interest-only mortgages remained stable but relatively high at 24% of the portfolio, and is expected to decline slowly, driven by less favourable tax incentives and tightened underwriting policy.

Rabobank's EUR 111.5 billion Wholesale, Rural & Retail (WRR) lending portfolio is well diversified by geography and industry. More than 80% of the loan book is abroad, with a focus on food and agribusiness and trade related sectors in food producing countries such as Australia, New Zealand and United States. Approximately 70k business clients were given payment holidays for balances of approximately EUR 21 billion, or circa 18% of the total business book. The subsectors which are expected to be most affected by the COVID-19 pandemic include Food services, Leisure &

entertainment, Non-food retail, Transport and Animal protein (North America), and represent approximately 5% of the private sector portfolio.

DBRS Morningstar notes the Group's domestic commercial real estate portfolio, which is being managed downwards had a book value of EUR 19.8 billion at June-2020.

Market Risk

Rabobank has a low market risk profile. Market risk in the trading book is monitored through Value at Risk (VaR), with a 97.5% confidence level and a horizon of one day. In 2019, the highest VaR recorded was EUR 4.3 million and the average VaR was EUR 3.0 million.

Operational Risk

Operational risk remains an important challenge for banking groups with the size and scope of Rabobank. Shortcomings in the Group's control and compliance frameworks were revealed through the Libor and Euribor investigations and led to the payment of EUR 774 million to various authorities in October 2013. Since then, the Group has embarked on a number of remedial measures in order to enhance compliance and reduce risk. Furthermore, in September 2018 the Group received an injunction from the Dutch Central Bank (DNB) and have since been strengthening their know-your-customer (KYC), Customer Due Diligence (CDD) and Transaction Monitoring (TM) activities. We highlight that the timing of DNB completing this investigation and the final outcome are uncertain. In July 2020, the major Dutch banks announced they would join forces to fight money laundering by sharing transaction data. Given elevated fines/settlements across the sector as well as the reputational risk associated, we will continue monitoring further developments.

Funding and Liquidity

Grid Grade: Very Strong/Strong

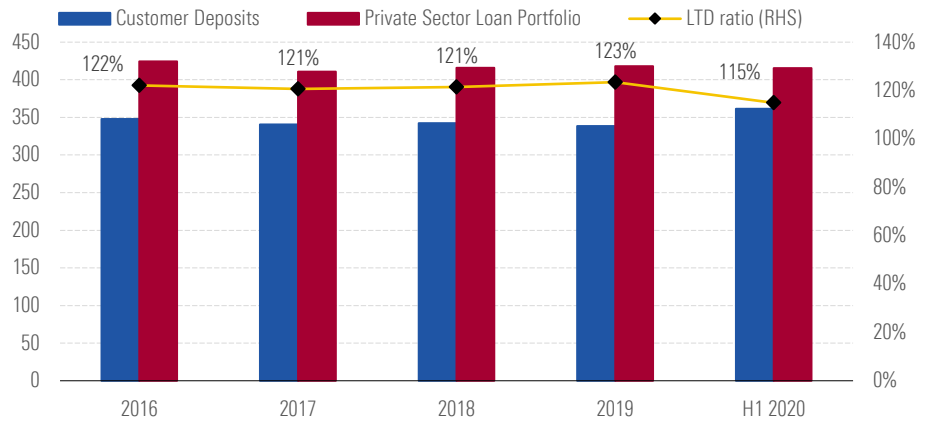
DBRS Morningstar considers that Rabobank has a solid funding profile, supported by a stable deposit base, diversified funding sources and no significant refinancing concentration.

Over the past few years the Group's loan-to-deposit ratio (LTD) had stabilised at around 120%, as per DBRS Morningstar calculations (Exhibit 6). The LTD declined to 115% at end-June 2020, due to a combination of higher deposits and lower lending. At end-June 2020, customer deposits were up 6.7% on end-2019, primarily due to reduced consumer spending in light of the COVID-19 pandemic. Including the drawings of EUR 20 billion under the TLTRO III that are classified as deposits, the net LTD was 109% at end-June 2020. Nonetheless, the Group's LTD remains towards the higher end compared to its European peers. We acknowledge that this partly reflects structural features of Rabobank's domestic market, as in the Netherlands a significant part of household savings is channelled through local pension schemes. We consider that this is mitigated by the Group's diversified funding mix and extended maturity profile, with no significant refinancing concentration.

Additionally, the Group continues to have very good access to global capital markets. Since 2017, Rabobank has been diversifying funding sources with the issuance of covered bonds, and since August 2018 the Group has issued approximately EUR 9.2 billion equivalent of non-preferred senior debt in EUR, USD and JPY. Rabobank is targeting non-preferred senior debt issuances of EUR 3-5

billion on average for the coming years, with its 2020 funding plan targeting overall long term issuances of EUR 12-15 billion.

Exhibit 6 Loan to Deposit Ratio



Source: DBRS Morningstar, Company Documents.

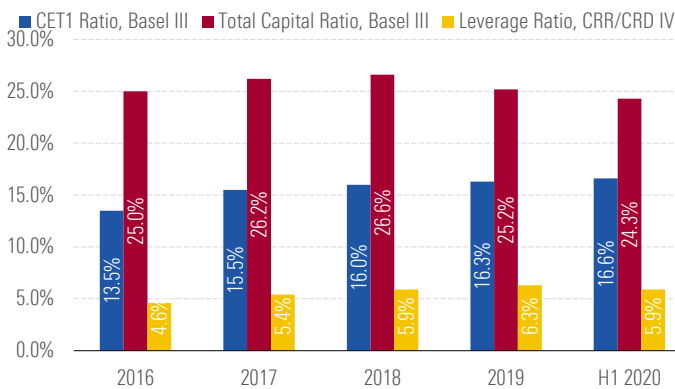
Rabobank's liquidity position remains solid. At end-June 2020, the Group's liquidity buffer totalled EUR 134 billion, consisting of EUR 101 billion high quality liquid assets (HQLA) and EUR 30 billion of unencumbered ECB eligible assets and this compares well with the Group's short-term funding needs. Rabobank reported a liquidity coverage ratio (LCR) of 160% and a net stable funding ratio (NSFR) of 124% at end-June 2020.

Capitalisation

Grid Grade: Very Strong

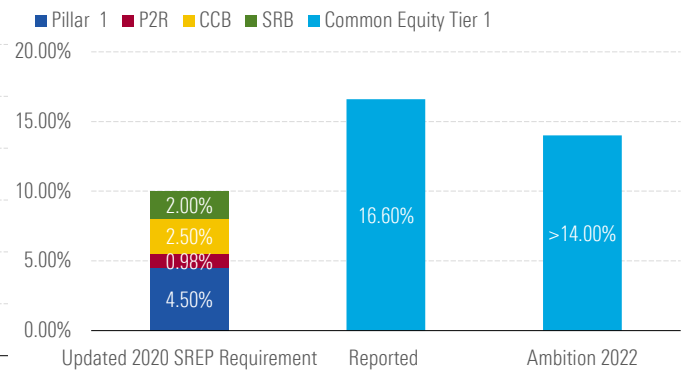
We consider that Rabobank has a strong capital position, although stricter regulatory requirements will likely result in lower capital ratios going forward. However, capital cushions over minimum regulatory requirements are sound in the context of future capital requirements, including the implementation of the finalised Basel III rules ('Basel IV') to be introduced from 2023.

Exhibit 7 Regulatory Capital Ratios Evolution



Source: DBRS Morningstar, Company Documents

Exhibit 8 CET1 Requirement vs. Reported, end-H1 2020



Source: DBRS Morningstar, Company Documents.

At end-June 2020, the Group had a Common Equity Tier 1 (CET1) ratio of 16.6%, up from 16.3% at end-2019. The increase partly reflected the removal of an add-on relating to a macro prudential measure for retail mortgages (i.e. risk weight floor), which has been postponed by DNB in light of the COVID-19 pandemic. In line with the ECB recommendation the Group did not make distributions on the Rabobank certificates in March, June or September 2020, however, in December 2020 the Group made an exceptional distribution in the form of Rabobank Certificates to investors holding certificates, which was the approximate equivalent of EUR 1.625 per Rabobank Certificate.

Given recent regulatory changes regarding capitalisation, including the postponement of the implementation of the finalised Basel III ("Basel IV") rules to 2023, we continue to view the Group as well-positioned to manage the impact of the evolving capital environment. However, we highlight that the Group could still be affected by the outcome on TRIM decisions and the introduction of a risk weight floor for Dutch mortgages in coming quarters, even though this will in essence be frontloading part of the Basel IV impact. We note that regulatory changes such as the temporary reduction of the countercyclical and the systemic risk buffers and the bringing forward of the CRDIV article improved the Group's CET1 capital cushion over SREP requirement to 661bps at end-June 2020. Rabobank estimates that the remaining Basel IV impact will result in 25-28% RWA inflation, or below 25% when including additional mitigating actions. Rabobank has an ambition for a CET1 ratio of over 14% at end-2022.

We also consider Rabobank as well placed to meet future Minimum Requirement for own funds and Eligible Liabilities (MREL) requirements. In 2019, the Group's MREL binding requirement was set by the Dutch Central Bank at 9.64% of Total Liabilities and Own Funds (TLOF), which corresponds to 28.58% of RWAs as of 2017. At end-June 2020, the Group held EUR 61.3 billion of MREL-eligible liabilities, consisting of equity and subordinated instruments, equivalent to 29.8% of RWAs. Rabobank expects non-preferred senior debt issuance of EUR 3-5 billion per annum, however, the Group has communicated to the market its expectation that MREL requirements are likely to decrease slightly.

Financials

	Coöperatieve Rabobank U.A.	Coöperatieve Rabobank U.A.	Coöperatieve Rabobank U.A.	Coöperatieve Rabobank U.A.	Coöperatieve Rabobank U.A.
EUR Millions	2020H1	2019H1	2019Y	2018Y	2017Y
Balance Sheet	6/30/2020	6/30/2019	12/31/2019	12/31/2018	12/31/2017
Cash and Deposits with Central Banks	85,420	63,435	63,086	73,335	66,861
Lending to/Deposits with Credit Institutions	22,653	31,050	29,297	17,859	27,254
Financial Securities	21,386	18,554	15,962	21,861	30,750
Financial Derivatives Instruments	29,557	26,499	23,584	22,660	25,505
Net Lending to Customers	444,301	441,580	441,926	438,627	433,457
- Gross Lending to Customers	449,180	445,574	445,866	442,362	438,903
- Loan Loss Reserves	4,879	3,994	3,940	3,735	5,446
Investment in Associates or Subsidiaries	2,206	2,481	2,308	2,374	2,521
Total Intangible Assets	822	840	829	966	1,002
Fixed Assets	5,352	5,112	5,459	4,648	4,780
Insurance Assets	NA	NA	NA	NA	NA
Other Assets (including DTAs)	8,420	17,283	8,147	8,107	10,861
Assets	620,117	606,834	590,598	590,437	602,991
Deposits from Banks	22,876	21,856	21,244	19,397	18,922
Deposits from Central Banks	0	0	0	0	0
Deposits from Credit Institutions	22,876	21,856	21,244	19,397	18,922
Deposits from Customers	381,510	344,908	343,240	343,105	344,563
Issued Debt Securities	NA	NA	136,537	136,712	144,226
Issued Subordinated Debt	15,682	15,557	15,790	16,498	16,170
Financial Derivatives Instruments	29,239	27,881	24,074	23,927	28,103
Insurance Liabilities	NA	NA	NA	NA	NA
Other Liabilities	131,061	156,577	8,366	8,562	11,397
Equity Attributable to Parent	39,282	39,563	40,870	41,755	39,135
Minority Interests	467	492	477	481	475
Liabilities & Equity	620,117	606,834	590,598	590,437	602,991
EUR Millions	2020H1	2019H1	2019Y	2018Y	2017Y
Income Statement	6/30/2020	6/30/2019	12/31/2019	12/31/2018	12/31/2017
Interest Income	7,182	8,199	16,157	16,281	16,571
Interest Expenses	3,082	3,985	7,674	7,722	7,728
Net Interest Income	4,100	4,214	8,483	8,559	8,843
Net Fees and Commissions	845	923	1,989	1,931	1,915
Results from Financial Operations	-33	142	256	364	263
Equity Method Results	12	89	192	243	245
Net Income from Insurance Operations	NA	NA	NA	NA	NA
Other Operating Income	288	318	653	923	756
Total Operating Income	5,212	5,686	11,573	12,020	12,022
Staff Costs	2,351	2,392	4,821	4,868	4,472
Other Operating Costs	856	1,034	2,322	2,578	3,559
Depreciation/Amortisation	196	211	420	388	406
Total Operating Expenses	3,403	3,637	7,563	7,834	8,437
Income Before Provisions and Taxes (IBPT)	1,809	2,049	4,010	4,186	3,585
Loan Loss Provisions	1,441	440	974	185	-191
Securities & Other Financial Assets Impairment	1	0	1	5	22
Other Impairments	NA	NA	336	90	122
Other Non-Operating Income (Net)	0	0	342	0	0
Income Before Taxes (IBT)	367	1,609	3,041	3,906	3,632
Tax on Profit	140	397	838	902	958
Discontinued Operations	0	0	0	0	0
Other After-tax Items	0	0	0	0	0
Minority Interest	13	17	46	60	58
Net Attributable Income	214	1,195	2,157	2,944	2,616
EUR Millions	2020H1	2019H1	2019Y	2018Y	2017Y
Other Items	6/30/2020	6/30/2019	12/31/2019	12/31/2018	12/31/2017
NPLs	14,884	16,841	15,705	18,436	18,315
Assets Under Management	NA	NA	NA	NA	NA
No. of Employees (end-period)	43,270	41,926	43,822	43,247	45,063
Risk-Weighted Assets (RWA)	205,617	207,281	205,797	200,531	198,269
RWA over Total Assets (%)	33.16	34.16	34.85	33.96	32.88

	Coöperatieve Rabobank U.A.	Coöperatieve Rabobank U.A.	Coöperatieve Rabobank U.A.	Coöperatieve Rabobank U.A.	Coöperatieve Rabobank U.A.
	2020H1	2019H1	2019Y	2018Y	2017Y
Earnings Power					
Earnings					
Net Interest Margin (%)	1.39	1.46	1.48	1.48	1.44
Yield on Average Earning Assets (%)	2.44	2.84	2.81	2.81	2.70
Cost of Interest Bearing Liabilities (%)	1.11	1.46	1.42	1.41	1.33
IBPT over Avg Assets (%)	0.60	0.68	0.68	0.70	0.57
IBPT over Avg RWAs (%)	1.76	2.01	1.97	2.10	1.75
Expenses					
Cost / Income ratio (%)	65.29	63.96	65.35	65.17	70.18
Operating Expenses by Employee	157,291	173,496	172,585	181,146	187,227
LLP / IBPT (%)	79.66	21.47	24.29	4.42	-5.33
Profitability Returns					
Return on Avg Equity (ROAE) (%)	1.07	5.88	5.22	7.28	6.61
Return on Avg Assets (ROAA) (%)	0.07	0.40	0.37	0.50	0.42
Return on Avg RWAs (%)	0.22	1.19	1.08	1.51	1.31
Dividend Payout Ratio (%)	NA	NA	NA	NA	NA
Internal Capital Generation (%)	NA	NA	NA	NA	NA
Risk Profile					
Gross NPLs over Gross Loans (%)	3.31	3.78	3.52	4.17	4.17
Net NPLs over Net Loans (%)	2.25	2.91	2.66	3.35	2.97
NPL Coverage Ratio (%)	32.78	23.72	25.09	20.26	29.74
Net NPLs over IBPT (%)	276.53	313.49	293.39	351.19	358.97
Net NPLs over CET1 (%)	29.27	39.35	35.02	45.77	41.16
Texas Ratio (%)	33.35	38.23	34.68	40.10	40.65
Cost of Risk (%)	0.65	0.20	0.22	0.04	-0.04
Level 2 Assets/ Total Assets (%)	5.19	4.77	4.38	4.61	4.88
Level 3 Assets/ Total Assets (%)	0.41	1.65	0.35	0.44	0.40
Funding and Liquidity					
Bank Deposits over Funding (%)	NA	NA	4.12	3.76	3.63
- Interbank over Funding (%)	NA	NA	4.12	3.76	3.63
- Central Bank over Funding (%)	NA	NA	0.00	0.00	0.00
Customer Deposits over Funding (%)	NA	NA	66.41	66.53	65.76
Wholesale Funding over Funding (%)	NA	NA	29.47	29.71	30.61
- Debt Securities over Funding (%)	NA	NA	26.42	26.51	27.52
- Subordinated Debt over Funding (%)	NA	NA	3.06	3.20	3.09
Liquid Assets over Assets (%)	20.88	18.63	18.34	19.15	20.71
Non-Deposit Funding Ratio (%)	34.26	39.15	37.51	37.41	38.84
Net Loan to Deposit Ratio (%)	116.46	128.03	128.75	127.84	125.80
LCR (Phased-in) (%)	160.00	124.00	132.00	135.00	123.00
NSFR (%)	124.00	118.00	118.00	119.00	119.00
Capitalisation					
CET1 Ratio (Phased-In) (%)	16.63	15.75	16.32	16.02	15.77
CET1 Ratio (Fully-Loaded) (%)	16.60	15.75	16.30	16.02	15.50
Tier 1 Capital Ratio (Phased-In) (%)	18.41	17.83	18.83	19.48	18.76
Total Capital Ratio (Phased-In) (%)	24.28	24.39	25.25	26.56	26.19
Tang. Equity / Tang. Assets (%)	6.29	6.47	6.87	7.00	6.41
Leverage Ratio (DBRS) (%)	5.79	5.65	5.94	5.68	5.45
Growth					
Net Attributable Income YoY (%)	-77.8	-6.3	-26.7	12.5	33.5
Net Fees and Commissions YoY (%)	-20.7	-2.8	3.0	0.8	4.9
Total Operating Expenses YoY (%)	-13.3	-7.7	-3.5	-7.1	-5.8
IBPT YoY (%)	-7.8	-0.1	-4.2	16.8	-6.7
Assets YoY (%)	5.0	2.8	0.0	-2.1	-9.0
Gross Lending to Customers YoY (%)	0.7	0.7	0.8	0.8	-4.9
Net Lending to Customers YoY (%)	1.1	1.3	0.8	1.2	-4.5
Loan Loss Provisions YoY (%)	169.9	103.7	426.5	NA	NA
Deposits from Customers YoY (%)	22.3	1.0	0.0	-0.5	-2.0

Rating Methodology

The applicable methodology is the Global Methodology for Rating Banks and Banking Organisations (8 June 2020), which can be found on our website under Methodologies.

Ratings

Issuer	Obligation	Rating	Trend	Rating Action
Coöperatieve Rabobank U.A.	Long-Term Issuer Rating	AA	Negative	Trend change
Coöperatieve Rabobank U.A.	Long-Term Senior Debt	AA	Negative	Trend change
Coöperatieve Rabobank U.A.	Long-Term Deposits	AA	Negative	Trend change
Coöperatieve Rabobank U.A.	Long-Term Critical Obligations Rating	AAA	Negative	Trend change
Coöperatieve Rabobank U.A.	Short-Term Issuer Rating	R-1 (high)	Negative	Trend change
Coöperatieve Rabobank U.A.	Short-Term Debt	R-1 (high)	Negative	Trend change
Coöperatieve Rabobank U.A.	Short-Term Deposits	R-1 (high)	Negative	Trend change
Coöperatieve Rabobank U.A.	Short-Term Critical Obligations Rating	R-1 (high)	Negative	Trend change

Ratings History

Issuer	Obligation	Current	2019	2018	2017
Coöperatieve Rabobank U.A.	Long-Term Issuer Rating	AA	AA	AA	AA
Coöperatieve Rabobank U.A.	Long-Term Senior Debt	AA	AA	AA	AA
Coöperatieve Rabobank U.A.	Long-Term Deposits	AA	AA	AA	AA
Coöperatieve Rabobank U.A.	Long-Term Critical Obligations Rating	AAA	AAA	AAA	AAA
Coöperatieve Rabobank U.A.	Short-Term Issuer Rating	R-1 (high)	R-1 (high)	R-1 (high)	R-1 (high)
Coöperatieve Rabobank U.A.	Short-Term Debt	R-1 (high)	R-1 (high)	R-1 (high)	R-1 (high)
Coöperatieve Rabobank U.A.	Short-Term Deposits	R-1 (high)	R-1 (high)	R-1 (high)	R-1 (high)
Coöperatieve Rabobank U.A.	Short-Term Critical Obligations Rating	R-1 (high)	R-1 (high)	R-1 (high)	R-1 (high)

Previous Action

- [DBRS Morningstar Revises Rabobank's Trend To Negative from Stable, Confirms AA/R-1 \(high\)](#), 26 May 2020
- [DBRS Morningstar Confirms Coöperatieve Rabobank at AA, Stable Trend](#), 30 October 2019
- [DBRS Confirms Coöperatieve Rabobank at AA, Stable Trend](#), 1 November 2018

Related Research

- [Higher Liquidity Drives Increase in Deposits at European Banks](#), 13 October 2020
- [European Banks' Internal Controls Under Scrutiny: 2020 Actions](#), 8 September 2020
- [Large Dutch Banks 2019 Profits Lower; Higher Cost of Risk](#), 20 February 2020

Previous Report

- [Coöperatieve Rabobank U.A.: Rating Report](#), 4 December 2019
- [Coöperatieve Rabobank U.A.: Rating Report](#), 4 December 2018
- [Coöperatieve Rabobank U.A.: Rating Report](#), 30 November 2017

European Bank Ratios & Definitions

- [European Bank Ratios & Definitions](#), 11 June 2019.

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