

Rating Report

Coöperatieve Rabobank U.A.

DBRS Morningstar

21 December 2023

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Credit Ratings

Issuer	Debt	Credit Rating	Credit Rating Action	Trend
Coöperatieve Rabobank U.A.	Long-Term Issuer Rating	AA (low)	Confirmed Nov' 23	Stable
Coöperatieve Rabobank U.A.	Short-Term Issuer Rating	R-1 (middle)	Confirmed Nov' 23	Stable
Coöperatieve Rabobank U.A.	Intrinsic Assessment	AA (low)	Maintained Nov' 23	--

Credit Rating Drivers

Factors with Positive Credit Rating Implications

An upgrade of the Long-Term Issuer Rating would require a material and sustainable improvement in profitability and efficiency metrics, combined with the Bank maintaining its low risk profile and robust capital levels.

Factors with Negative Credit Rating Implications

The Long-Term Issuer Rating would be downgraded in case of a significant deterioration in asset quality indicators or profitability. A substantial reduction in its capital cushions would also be viewed negatively.

Credit 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. Earnings boosted by rapid increase in rates since mid-2022, while credit costs remained low. Revenue headwinds and higher expenses could lower earnings, albeit on a high level.

Risk Profile (Strong/Good)

- Asset quality is sound, but could deteriorate due to the challenging macroeconomic environment. Past AML compliance and risk framework deficiencies could still result in fines.

Funding and Liquidity (Strong/Good)

- Solid funding profile, supported by a stable deposit base. The loan-to-deposit ratio is on the high side, offset by diversified funding sources, as well as good access to capital markets. Liquidity remains sound.

Capitalisation (Strong/Good)

- Robust capitalisation levels, with significant cushions over regulatory minimums. The Group has already absorbed the impact from Basel IV.

2023H1	Scorecard Building Block (BB) Assessment	Grids BB Assessment	Combined BB Assessment
Franchise	VS/S	S	VS/S
Earnings	G/M	S	S/G
Risk	G/M	S	S/G
Funding & Liquidity	S/G	S	S/G
Capitalisation	G	S	S/G
Overall Assessment	Intrinsic Assessment Range (IAR)	Assigned IA	
S/G	['AA', 'AA (low)', 'A (high)']	AA (low)	

Financial Information

(In EUR Millions unless otherwise stated)	H1 2023	H1 2022	For the Year Ended December 31 (IFRS)				
			2022	2021	2020	2019	2018
Total Assets	630,203	666,844	628,513	639,231	632,258	590,598	590,437
Gross Loans to Customers	451,657	448,814	436,931	424,212	417,451	425,263	423,500
Income Before Provisions and Taxes (IBPT)	3,751	1,899	4,516	4,906	3,969	4,127	4,420
Net Attributable Income	2,481	1,237	2,710	3,596	1,055	2,134	2,908
Net Interest Margin	2.1%	1.6%	1.6%	1.4%	1.4%	1.5%	1.5%
Cost / Income ratio	53.7%	68.8%	65.1%	61.9%	65.5%	65.8%	64.5%
LLP / IBPT	9.0%	2.3%	7.6%	-9.7%	48.2%	23.6%	4.4%
Cost of Risk	0.15%	0.02%	0.08%	-0.11%	0.45%	0.23%	0.05%
CET1 Ratio	16.68%	15.06%	15.96%	17.39%	16.84%	16.32%	16.00%

Source: Morningstar Inc., Company Documents

Issuer Description

[Coöperatieve Rabobank U.A.](#) (Rabobank or the Group) is a Dutch cooperative banking group. The Group consists of 78 local Rabobanks although it 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.

Credit Rating Rationale

The Intrinsic Assessment of AA (low) takes into account Rabobank's strong retail and commercial franchise in the Netherlands, as well as its strong footprint in the global food & agriculture finance business. The Bank also benefits from solid asset quality metrics, a well-diversified funding profile, and strong liquidity. Healthy capital cushions well-above regulatory minimum requirements further support the Bank's credit profile, especially given the current economic weakness, higher interest rates burdens for borrowers, and geopolitical risks that could weigh on asset quality. The IA also reflects Rabobank's somewhat weaker profitability and efficiency metrics when compared to similarly rated peers, albeit improved from the previous year due to the sharp increase in interest rates.

The Stable trend reflects our expectation that Rabobank will continue to benefit from the high interest rate environment, although these benefits are receding, as margins have likely peaked, while loan demand is weakening, expenses are still on the rise, and credit provisions are likely to increase.

Franchise Strength

Scorecard BB Assessment	Grids BB Assessment	Combined BB Assessment
Very Strong/Strong	Strong	Very Strong/Strong

Rabobank is one of three major Dutch banks with total assets of EUR 630 billion at end-June 2023. The Bank is active in Domestic Retail Banking, Wholesale & Rural Banking, Leasing and Property Development. Domestic Retail Banking is Rabobank's biggest contributor to revenues and the Bank benefits from operating in a mature and highly concentrated market. Rabobank has a strong position in mortgage lending in the Netherlands with a market share of 19% in H1 2023. The Bank is also a leader in the global Food & Agri finance business. The Bank has been pursuing continued digitalisation and a reduced footprint in Domestic Retail Banking, a more streamlined and simplified structure in its wholesale operations and is on track to achieve gross cost savings of EUR 600 million by 2024 as part of the Bank's cost initiative WIN. Over the medium-term the Bank has a cost-

income ratio ambition in the mid-50% range and a return on equity (ROE) ambition above 8%. Strategically, Rabobank seeks to further strengthen its franchises in the Netherlands, in Food & Agri and Vendor Finance, while focusing on food system and energy transition.

Exhibit 1 Progress vs. Financial Goals

		2019	2020	2021	2022	H1 2023	Ambitions 2027
Capital	CET1 Ratio	16.3%	16.8%	17.4%	16.0%	16.7%	>14% (FL)
Profitability	C/I ratio (incl. regulatory levies)	63.8%	65.8%	63.5%	63.9%	51.3%	mid 50%
	Return on Equity	5.3%	2.7%	8.8%	6.2%	10.7%	>8%

Source: DBRS Morningstar, Company Documents

DESCRIPTION OF OPERATIONS

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

Domestic Retail Banking – Operating profit before tax of EUR 2,800 million in H1 2023

The Domestic Retail Banking (DRB) segment is Rabobank's largest business segment and serves Rabobank's domestic retail and SME customers mainly through the local Rabobanks, Obvion (a mortgage lender) and Financial Solutions (consumer credit). Rabobank has 8.3 million private customers and 800,000 corporate customers in its domestic Dutch market, where the Group enjoys market shares of 35% in savings and 19% in mortgage lending, up from 16% a year earlier.

Wholesale & Rural – Operating profit before tax of EUR 461 million in H1 2023

The Wholesale & Rural Banking (W&R) includes wholesale activities in the Netherlands and the international Food & Agri finance business. Wholesale activities comprise divisions such as Markets, Mergers & Acquisition, Corporate Finance Origination, Core Lending, Project Finance, Trade & Commodity Finance, Value Chain Finance, Advisory and Rabo Investments. The division has operations in 25 countries.

Leasing – Operating profit before tax of EUR 330 million in H1 2023

Rabobank provides financial solutions globally through DLL, its fully-owned leasing subsidiary. DLL offers asset financing solutions to manufacturers, dealers, distributors and end-users in the sectors of Food & Agriculture, Healthcare, Clean Technology, Construction, Transportation, Industrial, Office Equipment and Technology in more than 25 countries.

Property Development – Operating profit before tax of EUR-21 million in H1 2023

This segment primarily consists of the activities of Bouwfonds Property Development (BPD), which is active in the development of residential properties. The countries of operation are the Netherlands and Germany.

'Other segments' had a negative pre-tax profit contribution of EUR 168 million in H1 2023, and mainly comprises the financial results of investments in associates (in particular the insurer Achmea B.V., in which Rabobank has a 30% stake), Treasury and Head Office operations.

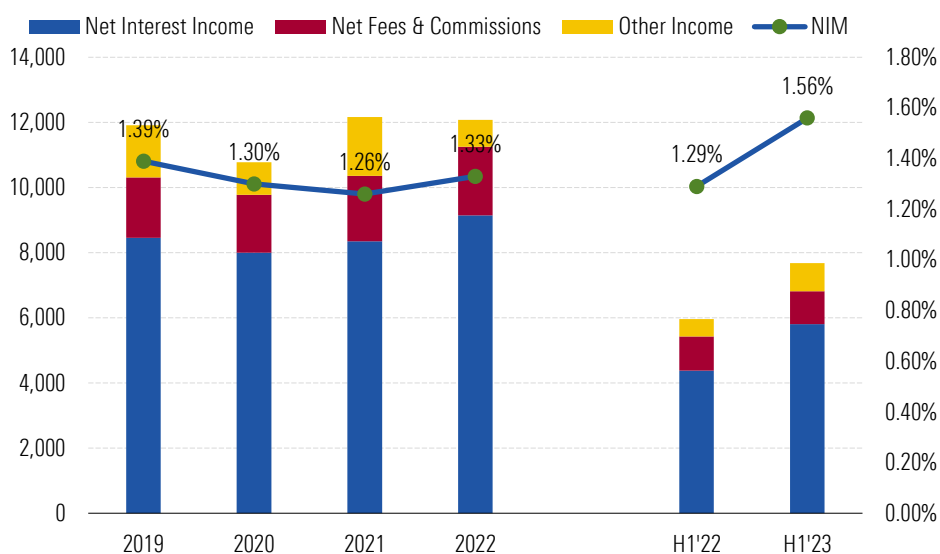
Earnings Power

Scorecard BB Assessment	Grids BB Assessment	Combined BB Assessment
Good/Moderate	Strong	Strong/Good

Rabobank's profitability has improved in H1 2023 amid higher interest rates. In H1 2023, the Bank reported a net profit of EUR 2,528 million, up from EUR 1,276 million in H1 2022 mainly driven by strong net interest income, which offset higher operating expenses and cost-of-risk. This translated into a return on equity of 10.7% in H1 2023, a sharp rise from 5.6% in H1 2022. However, in our view, profits are expected to peak this year. While the Bank should still benefit from the higher interest rate environment, we are seeing pressure from increasing deposit rates and the reduction of the ECB minimum reserve rate to 0% on September 20, 2023 from the deposit facility rate, which was 4%. In addition, tight monetary policy is dampening loan demand, while administrative costs are still rising and cost of risk could increase amid sluggish economic growth and higher borrowing costs for customers. Moreover, there is a risk of a higher bank tax.

Net interest income (NII) was EUR 5,807 million in H1 2023 up 33% year-on-year (YoY), mainly driven by higher margins on retail deposits which offset margin pressures from mortgage and business lending as well as flattish loan growth amid high interest rates and inflation. Net fee and commission income of EUR 1,007 million was down by 4% YoY, reflecting subdued business activity. Other income significantly increased in H1 2023 to EUR 868 million from EUR 229 million in H1 2022 mainly due to higher income from trading and value chain financing and higher fair value results.

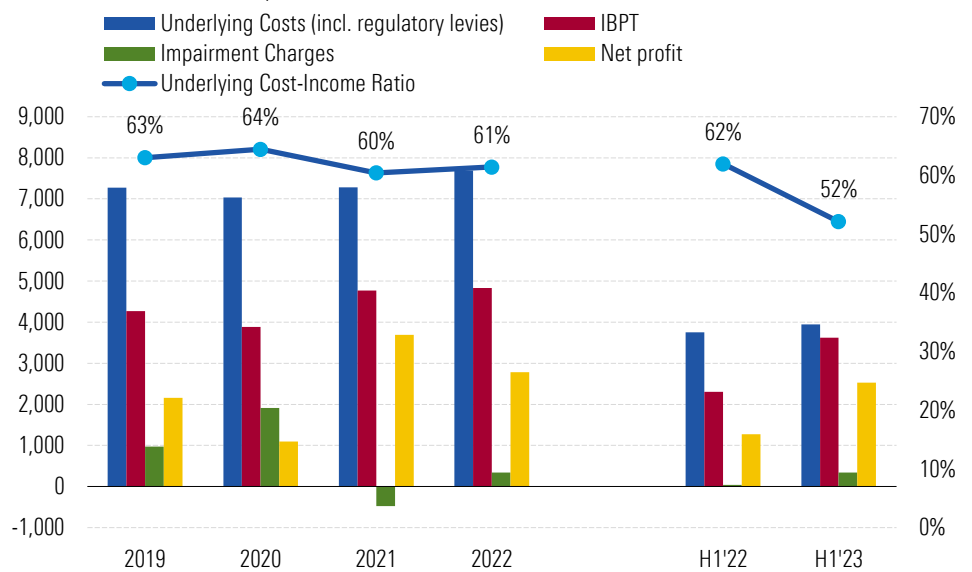
Exhibit 2 Revenue Breakdown Evolution (EUR million)



Source: DBRS Morningstar, Company Documents.

Operating expenses (including regulatory levies) were up 4% YoY to EUR 3,942 million in H1 2023 driven by higher staff costs, up 16% reflecting additional staffing for Financial Economic Crime (FEC) and IT as well as inflationary pressures. This was partly offset by lower extraordinary FEC costs and the adjustment of certain previously recognised provisions. The reported underlying cost-income ratio was 52%, significantly exceeding the Bank's medium-term ambition, but also low due to particularly strong revenues in H1 2023, which may not be sustainable at this level.

Exhibit 3 Cost and Profitability Evolution (EUR million)



Source: DBRS Morningstar, Company Documents.

Rabobank's loan impairment charges in H1 2023 were EUR 339 million, compared to EUR 42 million in H1 2022, resulting in a cost of risk of 16 basis points (bps). This was up from 2 bps in H1 2022, but still well below the through-the-cycle average of 20-25 bps as credit quality remained strong.

Risk Profile

Scorecard BB Assessment	Grids BB Assessment	Combined BB Assessment
Good/Moderate	Strong	Strong/Good

In DBRS Morningstar's view, Rabobank's risk profile is conservative. The loan portfolio is weighted towards the Netherlands, with 68% of the private sector loan book in its domestic market at end-H1 2023. Rabobank's non-performing loan (NPL) ratio improved between 2018 and 2021 due to a proactive NPL reduction strategy, and has remained largely stable since then. The small increase in the NPL ratio as calculated by DBRS Morningstar from 2.0% at end-2022 to 2.2% at end H1 2023, was due to a more conservative NPL classification approach rather than credit deterioration. Going forward, we believe that weaker economic conditions and high interest rates could lead to a gradual deterioration in asset quality. However, unemployment is very low, wage growth is high in the Netherlands, and mortgages typically have long fixed-rate periods, supporting stability in Rabobank's large mortgage portfolio. In December 2022, Rabobank announced that it is under investigation by public prosecutors for violating Anti Money Laundering Laws. DBRS Morningstar believes the Bank has assigned considerable resources to addressing the issue and does not anticipate that any potential fines would have a material impact on the Bank's credit strength.

Credit Risk

Rabobank’s private sector loan portfolio totalled EUR 433 billion at end-H1 2023, representing 99% of the Group’s total loans and advances to customers. The private sector loan portfolio is comprised of Domestic Retail Banking (DRB) loans (63%), followed by Wholesale & Rural (W&R) loans (28%), and Leasing (9%). Dutch residential mortgage loans represent the single largest exposure by sector and stood at EUR 194 billion, or 45% of the total private sector loan book at end-H1 2023. The remainder of the portfolio is well diversified by sector with trade, industry and services and food & agri accounting for 26% each of the loan book (Exhibit 4). In terms of geographical split, the portfolio is mainly concentrated in the Netherlands (68%), followed by North America (11%), Europe outside the Netherlands (9%), Australia and New Zealand (7%), South America (4%) and Asia (2%). Exposure to Ukraine is minimal, and amounted to EUR 81 million at end-H1 2023.

Exhibit 4 Loan Portfolio (EUR 433.3 bn), end-June 2023

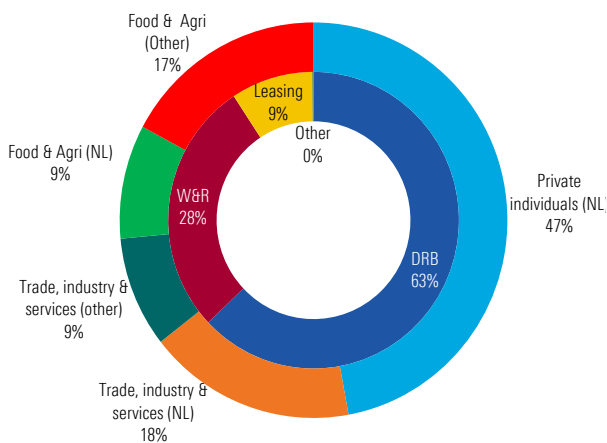
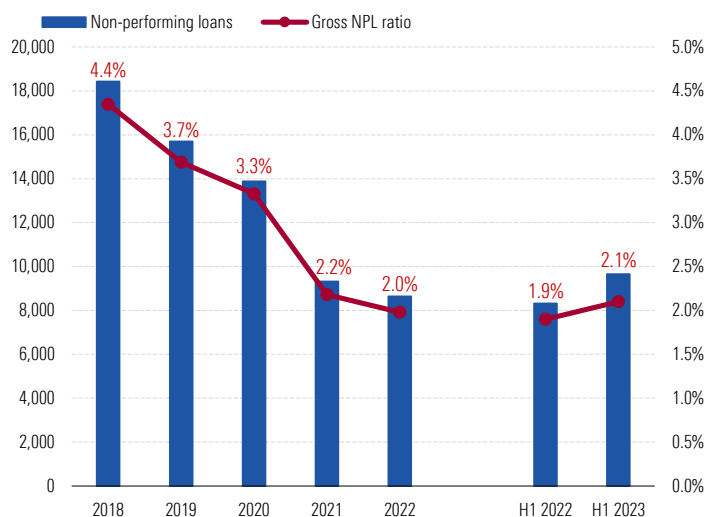


Exhibit 5: Gross NPLs Evolution (EUR million)



Source: DBRS Morningstar, Company Documents.

Asset quality remained solid in H1 2023 with a gross Stage 3 loan ratio, as calculated by DBRS Morningstar, of 2.1% at end-June 2023, slightly up from 2.0% at end-2022 (Exhibit 5) mainly due to a more conservative risk approach on the residential real estate portfolio. We note that Rabobank’s NPL definition is conservative with 82% of loans designated as nonperforming based on the Bank’s assessment of the debtor’s likelihood to pay and only 18% past due for more than 90 days. We also note that Rabobank’s NPL Prudential Backstop shortfall decreased further to EUR 701 million from EUR 873 million, largely driven by higher collateral coverage expected for potential credit losses. This resulted in a deduction from the CET1 ratio of 29 bps.

Stage 2 loans, i.e. loans for which credit risk has increased significantly since initial recognition and are seen as early indicators of deteriorating asset quality, accounted for 8.1% of the loan portfolio at end-June 2023 down from 8.6% at end-2022.

Impairment charges for H1 2023 were EUR 339 million which included EUR 435 million for Stage 3 loans and EUR 19 million for Stage 2 loans, partly offset by EUR 115 million of reserve releases for Stage 1 loans. This is in line with the Bank's expectation of credit quality deteriorating in the second half of 2023 and 2024.

Given the material increase in interest rates following an extended period of price increases for residential real estate, we are closely monitoring Rabobank's EUR 194 billion mortgage portfolio. The NPL ratio increased to 0.80% at end-June 2023, up from 0.36% at end-June 2022, though the increase was due to a more conservative classification of NPLs in this segment rather than credit deterioration. Going forward higher interest rates could lead to further price declines for residential properties and the high inflation could adversely affect borrowers' capacity to pay. However, given the low loan-to-value ratio (LTV) of Rabobank's Dutch residential mortgage portfolio at 54% at end-June 2023, long maturities, low unemployment levels, high wage growth, and the bankruptcy laws in the Netherlands that protect banks, we expect potential credit losses to remain low.

Rabobank's EUR 121 billion Wholesale & Rural (W&R) lending portfolio is well diversified by geography and industry. W&R's international private sector loan book represents 20% of the Group's total loan portfolio, with a particular focus on food and agribusiness and trade related sectors in food producing countries such as Australia, New Zealand and United States.

The Group has a EUR 21 billion domestic commercial real estate (CRE) portfolio with a breakdown of 43% residential, 24% offices and 10% retail outlets. CRE valuations have decreased as a result of higher interest rates. However, the focus on residential, conservative loan-to-values (LTVs), stringent cashflow-based criteria, and a high proportion of fixed rate loans help support the performance in our view. The average LTV was 52% as of end H1 2023 and only 3% of loans had LTVs higher than 80%. As of end-H1 2023 the NPL ratio was 2.6%. Rabobank also operates a property development business (BPD), which disclosed a loss of EUR 20 million in H1 2023 down from a profit of EUR 68 million a year earlier as property transactions declined.

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 2022, the highest VaR recorded was EUR 8.9 million and the average VaR was EUR 5.0 million.

Operational Risk

Operational risk remains an important topic for banking groups with the size and scope of Rabobank. In 2021, the Dutch Central Bank (DNB) issued an instruction, which ordered the Group to remedy the deficiencies in its compliance with the Dutch Anti-Money Laundering Act and Anti-Terrorist Act. Furthermore, in December 2022, Dutch Public Prosecutor's Office announced a criminal investigation of Rabobank for allegedly violating Anti Money Laundering Laws. The Bank has invested substantial resources into strengthening its know-your-customer (KYC), Customer Due Diligence (CDD) and Transaction Monitoring activities. Since 2018, when it first received an injunction from the DNB, the number of full-time employees (FTE) involved in financial economic crime (FEC) prevention has increased from 2,085 to 7,555. We do not expect that a potential fine

resulting from the investigation would adversely affect Rabobank's credit strength. However, FEC-related issues to continue to take up significant financial and managerial resources.

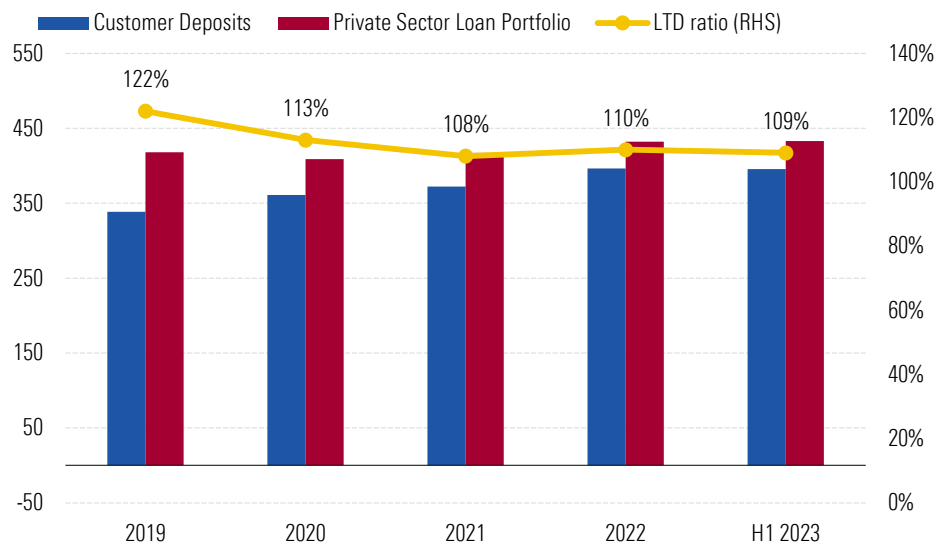
Funding and Liquidity

Scorecard BB Assessment	Grids BB Assessment	Combined BB Assessment
Strong/Good	Strong	Strong/Good

DBRS Morningstar considers that Rabobank has a solid funding profile. The Bank's reported loan-to-deposit ratio (LTD) of 109% at end-H1 2023 has been stable around this level since end-2020. Typical for the Dutch banking system, Rabobank's LTD ratio is somewhat weaker than its international peers, however, in our view the stability of Rabobank's deposit base is supported by its granularity and focus on its home market. The overall funding profile also benefits from a diversified funding mix, extended maturity profile, and strong liquidity. The Bank's liquidity coverage ratio (LCR) was 169% (or 149% excluding a remaining TLTRO III position of EUR 15 billion). The net stable funding ratio (NSFR) of 134% at end-June 2023 was well above the 100% requirement.

Deposits from customers, which amounted to EUR 395 billion, remained largely stable in H1 2023 compared to end-2022. However, there has been a EUR 11 billion shift out of current accounts into savings and terms deposits. We note that for Rabobank, similar to other Dutch banks, the proportion of interest-bearing deposits is quite high at 69%, which should lead to higher funding costs as deposits are repricing.

Exhibit 6 Loan to Deposit Ratio (EUR bn)



Source: DBRS Morningstar, Company Documents.

The Group has good access to global capital markets with a diversified funding mix by product, currency and maturity. At end-June 2023, the Group had approximately EUR 126 billion of total wholesale funding outstanding, including covered bonds, ABS, RMBS, and unsecured debt. Rabobank has a 2023 long-term funding target of EUR 12-15 billion including non-preferred senior

debt issuances of EUR 3-5 billion, with the remainder coming from covered bonds and preferred senior issuances.

Rabobank's liquidity position remains solid. At end-H1 2023, the Group's liquidity buffer increased to EUR 184 billion from EUR 168 billion at end-H1 2022, consisting of EUR 127 billion high quality liquid assets (HQLA), and EUR 57 billion of unencumbered, ECB eligible assets.

Capitalisation

Scorecard BB Assessment	Grids BB Assessment	Combined BB Assessment
Good	Strong	Strong/Good

DRBR Morningstar views Rabobank's capital position as solid. The Common Equity Tier 1 (CET1) ratio increased to 16.7% at end-H1 2023 from 16.0% at year-end 2022 mainly from retained earnings. This represents a 600 bps cushion above the regulatory minimum requirement of 10.7% and is also well above the Bank's ambition of at least 14%. At this point, no further impact from the implementation of Basel IV is expected. The capital cushion positions Rabobank well, especially when the DNB increases the countercyclical risk buffer for Dutch exposures to 2% in 2024 from 1% currently, or if RWAs were to increase as a result of higher credit risk associated with the current economic slowdown.

Exhibit 7 CET1 Requirement vs. Reported, end H1-2023

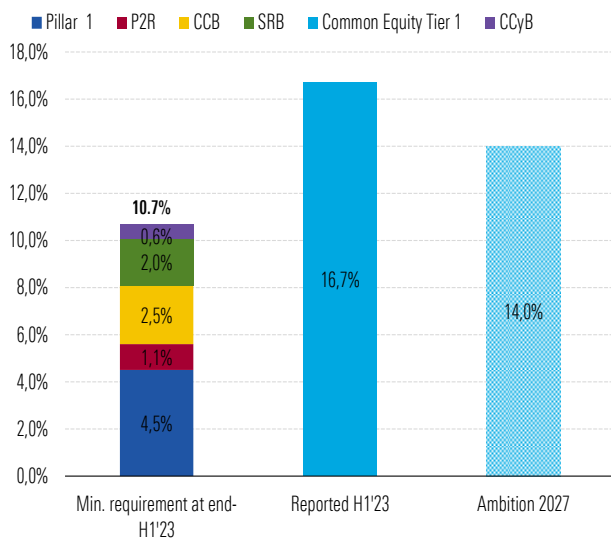
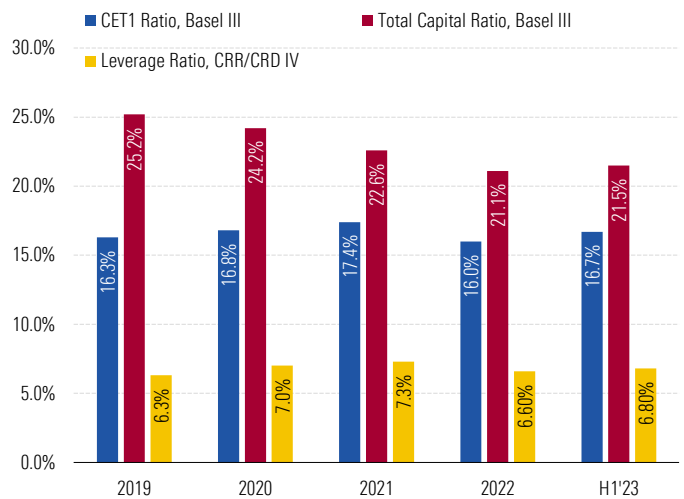


Exhibit 8 Capital Ratios Evolution



Source: DBRS Morningstar, Company Documents.

Rabobank exceeds the Minimum Requirement for Own Funds and Eligible Liabilities (MREL) applicable by 1 January 2022. At end-June 2023, Rabobank's total MREL (incl. CBR) requirement was 28.2% of RWA. Rabobank intends to fully meet the total requirement with its subordinated MREL position, which was 30.2% at end-H1 2023.

Coöperatieve Rabobank U.A. ESG Checklist

ESG Factor	ESG Credit Consideration Applicable to the Credit Analysis: Y/N	Extent of the Effect on the ESG Factor on the Credit Analysis: Relevant (R) or Significant (S)*		
Environmental		Overall:	N	N
Emissions, Effluents, and Waste	Do we consider that the costs or risks for the issuer or its clients result, or could result, in changes to an issuer's financial, operational, and/or reputational standing?	N	N	N
Carbon and GHG Costs	Does the issuer face increased regulatory pressure relating to the carbon impact of its or its clients' operations resulting in additional costs and/or will such costs increase over time affecting the long-term credit profile?	N	N	N
Climate and Weather Risks	In the long term, will the issuer's or client's business activities and infrastructure be materially affected financially under key IPCC climate scenarios up to a 2°C rise in temperature by 2050?	N	N	N
	In the long term, will the issuer's or client's business activities and infrastructure be materially affected financially by a 2°C rise in temperature?	N	N	N
Climate and Weather Risks:		N	N	N
Passed-through Environmental credit considerations	Does this rating depend to a large extent on the creditworthiness of another rated issuer which is impacted by environmental factors (see respective ESG checklist for such issuer)?	N	N	N
Social		Overall:	N	N
Social Impact of Products and Services	Do we consider that the social impact of the issuer's products and services could pose a financial or regulatory risk to the issuer?	N	N	N
Human Capital and Human Rights	Is the issuer exposed to staffing risks, such as the scarcity of skilled labour, uncompetitive wages, or frequent labour relations conflicts, that could result in a material financial or operational impact?	N	N	N
	Do violations of rights create a potential liability that could negatively affect the issuer's financial wellbeing or reputation?	N	N	N
Human Capital and Human Rights:		N	N	N
Product Governance	Does failure in delivering quality products and services cause damage to customers and expose the issuer to financial and legal liability?	N	N	N
Data Privacy and Security	Has misuse or negligence in maintaining private client or stakeholder data resulted, or could it result, in financial penalties or client attrition to the issuer?	N	N	N
Community Relations	Does engagement, or lack of engagement, with local communities pose a financial or reputational risk to the issuer?	N	N	N
Access to Basic Services	Does a failure to provide or protect with respect to essential products or services have the potential to result in any significant negative financial impact on the issuer?	N	N	N
Passed-through Social credit considerations	Does this rating depend to a large extent on the creditworthiness of another rated issuer which is impacted by social factors (see respective ESG checklist for such issuer)?	N	N	N
Governance		Overall:	Y	R
Bribery, Corruption, and Political Risks	Are there any political risks that could impact the issuer's financial position or its reputation?	N	N	N
	Do alleged or actual illicit payments pose a financial or reputational risk to the issuer?	N	N	N
	Are there any political risks that could affect the issuer's financial position or its reputation?	N	N	N
Bribery, Corruption, and Political Risks:		N	N	N
Business Ethics	Do general professional ethics pose a financial or reputational risk to the issuer?	N	N	N
Corporate / Transaction Governance	Does the issuer's corporate structure allow for appropriate board and audit independence?	N	N	N
	Have there been significant governance failures that could negatively affect the issuer's financial wellbeing or reputation?	Y	R	R
	Does the board and/or management have a formal framework to assess climate-related financial risks to the issuer?	N	N	N
Corporate / Transaction Governance:		Y	R	R
Passed-through Governance credit considerations	Does this rating depend to a large extent on the creditworthiness of another rated issuer which is impacted by governance factors (see respective ESG checklist for such issuer)?	N	N	N
Consolidated ESG Criteria Output:		Y	R	R

* A Relevant Effect means that the impact of the applicable ESG risk factor has not changed the rating or rating trend on the issuer.

A Significant Effect means that the impact of the applicable ESG risk factor has changed the rating or trend on the issuer.

ESG Considerations

Environmental:

The environmental factor does not affect the rating or trend assigned to Rabobank. Nevertheless, Rabobank is exposed to physical climate risk through their Food & Agriculture, Industry and Real Estate portfolios. In 2021, Rabobank initiated a heat mapping exercise to identify relevant climate risk factors in the bank's lending portfolio. The exercise was applied to 36 sectors and six countries, with the agricultural portfolio being identified as having the highest physical risk due its vulnerability to natural hazards. The highest transition risks were identified in the Netherlands and New Zealand due to the high volume of pending climate legislation. Furthermore, the Bank has created Sustainable Agriculture Guarantee Fund which supports farmers that use sustainable farming methods. Rabobank has been reporting according to TCFD standards since 2019 and is a member of the Net Zero Banking Alliance.

Social

The social factor does not affect the rating or trend assigned to Rabobank. The cooperative structure of Rabobank means that the Group is deeply rooted in communities and its mission is to provide basic financial services. While no major issues have been reported for Rabobank, Data Privacy and Security are an ongoing issue for all institutions, and any significant data privacy breaches or cybersecurity attacks could have a significant impact on the bank's franchise and earnings.

Governance

The subfactor 'corporate governance' is relevant to the rating of Rabobank, and this is reflected in the franchise grid grades for the bank. In 2021, Rabobank received an instruction from the Dutch Central Bank (DNB) to rectify its deficiencies in its compliance and risk framework related to the Dutch Anti-Money Laundering (AML) and Anti-Terrorist Financing Act by December 2024 at the latest. In December 2022, Dutch Public Prosecutor's Office announced a criminal investigation of Rabobank for allegedly violating Anti Money Laundering Laws. Rabobank has invested significant resources into AML procedures but might still incur a fine.

Coöperatieve Rabobank U.A.

	1	2	3	4	5	
Financial Data through 2023H1	Scorecard Indicator	Scorecard Indicator Data	Scorecard Indicator Assessment	Scorecard Building Block (BB) Assessment	Grids BB Assessment	Combined BB Assessment
Franchise	Adjusted Assets	611	VS/S	VS/S	S	VS/S
	Sovereign Rating Category	20	VS			
Earnings	Return on Equity	8.19%	S/G	G/M	S	S/G
	Return on Assets	0.63%	G			
	IBPT/Avg.Assets	0.96%	G/M			
Risk	Net NPLs/Net Loans	1.51%	G/M	G/M	S	S/G
	Provisions/IBPT	8.48%	S			
Funding & Liquidity	Sovereign-Adjusted Funding Ratio	112.8%	S/G	S/G	S	S/G
	Sovereign-Adjusted Capital Ratio	16.60%	VS/S			
Capitalisation	NPL/[Equity + Loan Loss Reserves]	20.19%	G	G	S	S/G
	5-Year Accumulated Net Income/Total Assets	2.45%	G/M			
	6	7			8	
	Overall Assessment	Intrinsic Assessment Range (IAR)			Assigned IA	
	S/G	AA	AA (low)	A (high)	AA (low)	

Notes: (1) based on financial data as of H1 2023. (2) For more information see Global Methodology for Rating Banks and Banking Organizations published on 22 June 2023. (3) IAR and IA refer to bank level rating.

Annual Financial Information

	H1 2023	H1 2022	For the Year Ended December 31 (IFRS)				
			2022	2021	2020	2019	2018
Balance Sheet (EUR Millions)							
Cash & Cash Equivalents*	136,595	164,857	135,555	126,014	114,046	69,680	82,451
Investments in Financial Assets	31,602	38,446	31,376	46,196	58,003	48,904	52,828
Gross Loans to Customers	451,657	448,814	436,931	424,212	417,451	425,263	423,500
Loan Loss Reserves	(2,960)	(3,391)	(2,862)	(3,497)	(4,700)	(3,940)	(3,735)
Net Lending to Customers	448,697	445,423	434,069	420,715	412,751	421,323	419,765
Total Assets	630,203	666,844	628,513	639,231	632,258	590,598	590,437
Deposits from Customers	394,748	381,774	395,847	371,854	360,478	338,504	342,397
Debt & Capital Lease Obligations	124,311	126,633	124,827	122,833	131,893	152,327	153,210
Total Liabilities	581,817	620,925	582,155	595,829	591,626	549,251	548,201
Total Equity	48,386	45,919	46,358	43,402	40,632	41,347	42,236
Income Statement (EUR Millions)							
Net Interest Income	5,807	4,380	9,149	8,351	7,997	8,455	8,559
Non Interest Income	2,192	1,905	3,671	4,194	3,312	3,415	3,660
Equity Method Results	95	(200)	115	334	188	192	243
Total Operating Income	8,094	6,085	12,935	12,879	11,497	12,062	12,462
Total Operating Expenses	4,343	4,186	8,419	7,973	7,528	7,935	8,042
Income Before Provisions and Taxes (IBPT)	3,751	1,899	4,516	4,906	3,969	4,127	4,420
Loan Loss Provisions	338	43	344	(475)	1,913	976	195
Irregular Income/Expenses	12	16	253	504	560	110	319
Net Attributable Income	2,481	1,237	2,710	3,596	1,055	2,134	2,908
Growth (%) - YoY Change							
Net Interest Income	32.58%	7.38%	9.56%	4.43%	-5.42%	-1.22%	-3.21%
Total Operating Income	33.02%	-5.34%	0.43%	12.02%	-4.68%	-3.21%	-0.22%
Total Operating Expenses	3.75%	8.05%	5.59%	5.91%	-5.13%	-1.33%	-3.73%
IBPT	97.53%	-25.65%	-7.95%	23.61%	-3.83%	-6.63%	6.89%
Net Attributable Income	100.57%	-41.32%	-24.64%	240.85%	-50.56%	-26.62%	12.76%
Gross Loans & Advances	0.63%	2.71%	3.00%	1.62%	-1.84%	0.42%	0.97%
Deposits from Customers	3.40%	1.52%	6.45%	3.16%	6.49%	-1.14%	0.54%
Earnings (%)							
Net Interest Margin	2.08%	1.55%	1.57%	1.43%	1.40%	1.52%	1.52%
Non-Interest Income / Total Revenue	27.08%	31.31%	28.38%	32.56%	28.81%	28.31%	29.37%
Cost / Income ratio	53.66%	68.79%	65.09%	61.91%	65.48%	65.79%	64.53%
LLP / IBPT	9.01%	2.26%	7.62%	-9.68%	48.20%	23.65%	4.41%
Return on Avg Assets (ROAA)	0.80%	0.39%	0.43%	0.58%	0.18%	0.37%	0.50%
Return on Avg Equity (ROAE)	10.60%	5.61%	6.06%	8.64%	2.63%	5.28%	7.32%
IBPT over Avg RWAs	3.11%	0.80%	1.88%	2.34%	1.93%	2.02%	2.22%
Internal Capital Generation	10.60%	5.61%	6.06%	8.64%	2.63%	5.28%	7.32%
Risk Profile (%)							
Cost of Risk	0.15%	0.02%	0.08%	-0.11%	0.45%	0.23%	0.05%
Gross NPLs over Gross Loans	2.14%	1.85%	1.98%	2.18%	3.33%	3.69%	4.35%
NPL Coverage Ratio	30.66%	40.74%	33.14%	37.88%	33.86%	25.09%	20.26%
Net NPLs over Net Loans	1.49%	1.19%	1.33%	1.33%	2.18%	2.79%	3.50%
NPLs to Equity and Loan Loss Reserves Ratio	18.41%	16.49%	17.38%	19.65%	30.11%	33.68%	35.59%
Funding & Liquidity (%)							
Net Loan to Deposit Ratio	113.67%	116.67%	109.50%	112.91%	114.25%	124.20%	122.34%
Liquidity Coverage Ratio	166%	178%	174%	188%	193%	132%	135%
Net Stable Funding Ratio	134%	132%	131%	130%	127%	118%	119%
Capitalization (%)							
CET1 Ratio	16.68%	15.06%	15.96%	17.39%	16.84%	16.32%	16.00%
Tier1 Ratio	18.70%	17.00%	17.99%	19.22%	18.98%	18.83%	19.50%
Total Capital Ratio	21.46%	19.86%	21.15%	22.65%	24.23%	25.25%	26.60%
Leverage Ratio	6.83%	6.22%	6.60%	7.28%	6.97%	6.35%	6.40%
Dividend Payout Ratio	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Source: Morningstar Inc. Company Documents

*Includes Loans to Banks

Credit Rating Methodology

The applicable methodology is the *Global Methodology for Rating Banks and Banking Organisations (22 June 2023)* and *DBRS Morningstar Criteria: Approach to Environmental, Social, and Governance Risk Factors in Credit Ratings (4 May 2023)* which can be found on our website under Methodologies.

Credit Ratings

Issuer	Obligation	Rating Action	Rating	Trend
Coöperatieve Rabobank U.A.	Long-Term Issuer Rating	Confirmed	AA (low)	Stable
Coöperatieve Rabobank U.A.	Long-Term Senior Debt	Confirmed	AA (low)	Stable
Coöperatieve Rabobank U.A.	Long-Term Deposits	Confirmed	AA (low)	Stable
Coöperatieve Rabobank U.A.	Short-Term Issuer Rating	Confirmed	R-1 (middle)	Stable
Coöperatieve Rabobank U.A.	Short-Term Debt	Confirmed	R-1 (middle)	Stable
Coöperatieve Rabobank U.A.	Short-Term Deposits	Confirmed	R-1 (middle)	Stable
Coöperatieve Rabobank U.A.	Long Term Critical Obligations Rating	Confirmed	AA (high)	Stable
Coöperatieve Rabobank U.A.	Short Term Critical Obligations Rating	Confirmed	R-1 (high)	Stable
Coöperatieve Rabobank U.A.	EUR 20,000,000,000 Negotiable European Commercial Paper Programme	Confirmed	R-1 (middle)	Stable

Credit Ratings History

Issuer	Obligation	Current	2022	2021	2020	2019
Coöperatieve Rabobank U.A.	Long-Term Issuer Rating	AA (low)	AA (low)	AA (low)	AA	AA
Coöperatieve Rabobank U.A.	Long-Term Senior Debt	AA (low)	AA (low)	AA (low)	AA	AA
Coöperatieve Rabobank U.A.	Long-Term Deposits	AA (low)	AA (low)	AA (low)	AA	AA
Coöperatieve Rabobank U.A.	Short-Term Issuer Rating	R-1 (middle)	R-1 (middle)	R-1 (middle)	R-1 (high)	R-1 (high)
Coöperatieve Rabobank U.A.	Short-Term Debt	R-1 (middle)	R-1 (middle)	R-1 (middle)	R-1 (high)	R-1 (high)
Coöperatieve Rabobank U.A.	Short-Term Deposits	R-1 (middle)	R-1 (middle)	R-1 (middle)	R-1 (high)	R-1 (high)
Coöperatieve Rabobank U.A.	Long Term Critical Obligations Rating	AA (high)	AA (high)	AA (high)	AAA	AAA
Coöperatieve Rabobank U.A.	Short Term Critical Obligations Rating	R-1 (high)	R-1 (high)	R-1 (high)	R-1 (high)	R-1 (high)
Coöperatieve Rabobank U.A.	EUR 20,000,000,000 Negotiable European Commercial Paper Programme	R-1 (middle)	--	--	--	--

Previous Action

- [DBRS Morningstar Confirms Coöperatieve Rabobank's LT Issuer Rating at AA \(low\), Trend Remains Stable, 2 November 2023.](#)
- [DBRS Morningstar Confirms Coöperatieve Rabobank's LT Issuer Rating at AA \(low\), Trend Remains Stable, 4 November 2022](#)
- [DBRS Morningstar Confirms Rabobank's LT Issuer Rating at AA \(low\), Trend Remains Stable, 5 November 2021](#)

Related Research

- [European Banking Outlook for 2024 – Ongoing Good Performance, but Pressure on Deposit Margins and Asset Quality Increasing, 27 November 2023.](#)
- [Net Interest Income Rally at European Banks–Will It Last?, 18 October 2023.](#)
- [Snapshot: Banks and Climate Change from a Credit Perspective, 10 October 2023.](#)
- [European Banks Shed Light on Their CRE Exposures Amid Rising Concerns for the Sector, 20 September 2023.](#)
- [Deterioration in Cost of Risk Yet to Materialise at European Banks, 19 September 2023.](#)
- [Gender Diversity: The Glass Ceiling Remains Thick at European Banks, 11 September 2023.](#)
- [Lower European Capital Market Revenues In Q2, Although Debt Underwriting Showed Some Improvement, 10 August 2023.](#)
- [Dutch Banks H1 2023 Earnings: Tailwinds Still Strong, 21 August 2023.](#)
- [EU Banks Proved Resilient in the 2023 EBA Stress Test, 7 August 2023.](#)

Previous Report

- [Coöperatieve Rabobank U.A.: Rating Report](#), 8 December 2022.
- [Coöperatieve Rabobank U.A.: Rating Report](#), 17 December 2021
- [Coöperatieve Rabobank U.A.: Rating Report](#), 23 December 2020

European Bank Ratios & Definitions

- [Bank Definitions](#), 14 March 2022

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