

# Rating Report

## Coöperatieve Rabobank U.A.

### DBRS Morningstar

17 December 2021

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### Ratings

Issuer	Debt	Rating	Rating Action	Trend
Coöperatieve Rabobank U.A.	Long-Term Issuer Rating	AA (low)	Confirmed Nov' 21	Stable
Coöperatieve Rabobank U.A.	Short-Term Issuer Rating	R-1 (middle)	Confirmed Nov' 21	Stable
Coöperatieve Rabobank U.A.	Intrinsic Assessment	AA (low)	Maintained Nov' 21	--

### Rating Drivers

#### Factors with Positive Rating Implications

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

#### Factors with Negative 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, in excess of the expected impact from the regulatory changes would also be viewed negatively.

### 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 (Good)

- Resilient earnings generation ability with cost management remaining a key priority. Lower loan loss provisions and valuation gains support earnings in 2021, but revenue pressure to persist over medium term.

#### Risk Profile (Strong/Good)

- Asset quality is sound, but could deteriorate as support measures are withdrawn or if the economy were to weaken again. Past AML failures could still result in fines.

#### Funding and Liquidity (Strong/Good)

- Solid funding profile, supported by a stable deposit base. The loan-to-deposit ratio has decreased in H1 2021 due to deposit inflow, however it remains on the high side, reflecting the structural characteristics of the Dutch market. 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 is in a good position to manage the impact from additional regulatory capital requirements.

2021H1	Scorecard Building Block (BB) Assessment	Grids BB Assessment	Combined BB Assessment
Franchise	VS/S	S	VS/S
Earnings	G/M	S/G	G
Risk	G/M	S	S/G
Funding & Liquidity	G	S	S/G
Capitalisation	G/M	S	S/G
<b>Overall Assessment</b>	<b>Intrinsic Assessment Range (IAR)</b>		<b>Assigned IA</b>
S/G	[A-AAL]		AA (low)

### Financial Information

Coöperatieve Rabobank U.A.	2021H1	2020Y	2019Y	2018Y	2017Y
EUR Millions					
Total Assets	650,997	632,258	590,598	590,437	602,991
Equity Attributable to Parent	41,791	40,156	40,870	41,755	39,135
Income Before Provisions and Taxes (IBPT)	2,567	3,692	3,974	4,186	3,585
Net Attributable Income	2,108	1,055	2,157	2,944	2,616
IBPT over Avg RWAs (%)	2.47	1.79	1.96	2.10	1.75
Cost / Income ratio (%)	58.00	65.76	65.18	65.17	70.18
Return on Avg Equity (ROAE) (%)	10.29	2.60	5.22	7.28	6.61
Gross NPLs over Gross Loans (%)	2.78	3.14	3.52	4.17	4.17
CET1 Ratio (Fully-Loaded) (%)	17.18	16.81	16.30	16.02	15.50

Source: DBRS Morningstar Analysis; Copyright © 2021, 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 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 36 countries globally.

### Rating Rationale

The Intrinsic Assessment of AA (low) takes into account the Bank's market leading retail and commercial franchise in the Netherlands, as well as its global franchise in food & agriculture finance. The Bank continues to benefit from a solid funding profile, underpinned by a sound deposit base, diversified funding sources and good access to capital markets, as well as a large liquidity buffer. The IA also incorporates the Bank's regulatory capital position and substantial cushions over minimum regulatory requirements, which should enable Rabobank to withstand the impact from regulatory changes as well as a potential deterioration in asset quality when support measures related coronavirus (COVID-19) pandemic are withdrawn or should the economy recover more slowly than expected.

The ratings also reflect Rabobank's consistently weaker profitability and efficiency metrics when compared to similarly rated peers, as well as the headwinds that continue to affect these metrics. In recent years the Bank has made some progress in cost-base reductions and balance sheet efficiency. However, the ultra-low interest rate environment has meant that Rabobank continues to face pressure on revenues and difficulties in improving its cost-income ratio and net profitability to levels in line with international peers. Reflecting these challenges, in H2 2020 the Bank has lengthened the time horizon to achieve its targets, making it harder for the Bank to close the gap with peers.

## Franchise Strength

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

Rabobank is a leading Dutch bank with total assets of EUR 651 billion at end-June 2021. The Group offers a wide range of products and services across Retail Banking, Wholesale Banking, Rural Banking, Private Banking, Leasing and Real Estate. The Bank has a very strong domestic position in mortgage lending, while globally Rabobank is an acknowledged leader in the Food & Agri sector. Over the past few years, the Bank has been working on implementing its Strategic Framework 2016-2020 and has made substantial progress towards the capital and funding targets (Exhibit 1). However, at end-2020 Rabobank postponed some of its profitability targets further into the future due to the low interest rate environment, the elevated compliance and digitalisation costs and the uncertain macroeconomic development perpetuated by the COVID-19 crisis, while moving forward the CET1 ratio ambition.

### Exhibit 1 Progress vs. Financial Goals

		2017	2018	2019	2020	H1 2021	Ambitions 2024	Longer-Term Ambitions
<b>Capital</b>	CET1 Ratio	15.50%	16.00%	16.30%	16.80%	17.20%	>14% (FL)	> 14% (FL)
<b>Profitability</b>	Cost/income ratio (incl. regulatory levies)	71.30%	65.90%	63.80%	65.80%	58.00%	low 60%	mid 50%
	Return on Equity	6.70%	7.30%	5.30%	2.70%	10.40%	6-7%	>8%

Source: DBRS Morningstar, Company Documents.

The Bank is targeting, by 2024, a cost-income ratio goal in the low 60% range and a return on equity (ROE) of 6-7% while the longer-term targets are conditional upon a normalisation of the interest rate environment. As part of its cost efficiency programme (WIN) the Bank is pursuing further digitalisation and a reduced footprint in its domestic retail banking division, a more streamlined and simplified structure in its wholesale operations, and gross cost savings of EUR 600 million by 2024, which will in part result in the exit of around 1,000 employees per annum over the next 5 years.

### 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 1,440 million in H1 2021

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 8.1 million private customers and 800,000 corporate customers in its domestic Dutch market, where the Group enjoys market shares of 34% in savings, 23% in mortgage lending and around 85% in primary Food & Agri customers.

**Wholesale & Rural** – Operating profit before tax of EUR 889 million in H1 2021

The Wholesale & Rural Banking (WR) segment serves large Dutch and foreign corporate customers, with the primary focus being in the food and agribusiness sector. The segment also comprises divisions such as Markets, Leverage Lending, Corporate Lending, Export Finance, Project Finance,

Trade & Commodity Finance, Value Chain Finance, Advisory and Rabo Corporate Investments. The Group's global presence extends to six regions and 36 countries. 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 387 million in H1 2021

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, Materials handling and Tech solutions in more than 30 countries.

Property Development – Operating profit before tax of EUR 68 million in H1 2021

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

The segment 'Other segments', which had a positive pre-tax profit contribution of EUR 57 million in H1 2021, 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 the insurer Achmea B.V., in which Rabobank has a 30% stake), Treasury and Head Office operations.

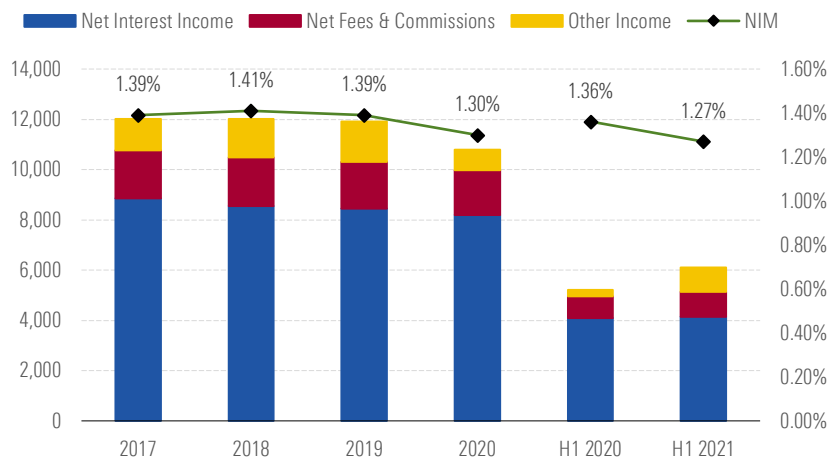
### Earnings Power

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

DBRS Morningstar views Rabobank's earnings metrics have been positioned at the lower end of its peer group. However, in H1 2021, the Group reported net profit of EUR 2,160 million, up from EUR 227 million in H1 2020. The significant increase was attributable to improved fee and commission income, positive asset revaluations and releases of loan loss provisions due to improved macroeconomic conditions. As a result, Rabobank's return on equity was 10.4% in H1 2021, a substantial improvement from 1.1% in H1 2020 and 2.7% in FY2020.

Net interest income (NII) was EUR 4,130 million in H1 2021 up 1% year-on-year (YoY), accounting for 68% of total income in H1 2021, but continues to be under pressure because of the persistently low interest rate environment. Net fee and commission income was up 15% YoY, driven by an increase in transaction business and a rebound in market activities. Similarly, other income increased due to economic rebound and positive revaluations of equity and portfolio investments. Overall, total income was EUR 6,112 million in H1 2021, up 17% from EUR 5,212 in H1 2020. Going forward, we incorporate somewhat weaker revenues into our view in the absence of revaluation gains, while pressure from the low rate environment persists.

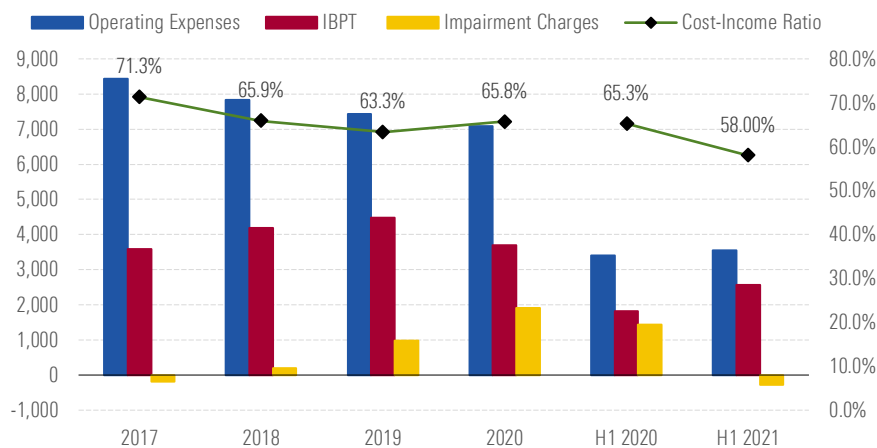
**Exhibit 2** Profitability Breakdown Evolution (EUR million)



Source: DBRS Morningstar, Company Documents.

Operating expenses (including regulatory levies) were up 4.2% YoY to EUR 3.5 billion in H1 2021, driven by higher other administrative costs and regulatory levies, whilst lower external staff travel and hotel costs contributed to a 3% decrease in staff costs. Despite this increase, the Group’s cost-income ratio (including regulatory levies) decreased to 58% in H1 2021 compared to 65.3% in H1 2020 (and 65.8% for FY2020), in part due to the strong rebound in other income, which, in our view, is not likely to repeat. Rabobank remains committed towards reducing its cost-to-income ratio to the mid-50’s in the longer term conditional upon normalisation of the interest rate environment. DBRS Morningstar continues to view that improving efficiency is important, however, the combination of low interest rates and continuous investments in compliance and digitalisation could make this challenging.

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



Source: DBRS Morningstar, Company Documents.

Rabobank's impairment charge in H1 2021 was a release of EUR 274 million, compared to a EUR 1,442 million impairment charge in H1 2020. The reserve release was driven by Stage 1 loans on the basis of a more positive macroeconomic outlook. Credit impairment charges increased significantly in 2020 to EUR 1,913 million compared to EUR 975 million in 2019 due to the COVID-19 pandemic. The Group's cost of risk decreased to -13 bps in H1 2021 from 69 bps in H1 2020 and 26 bps in H2 2019 (pre-COVID), with Rabobank expecting impairment charges for FY2021 to be in the range of 0-12 bps of average lending, compared to a through the cycle average of 20-25bps.

### Risk Profile

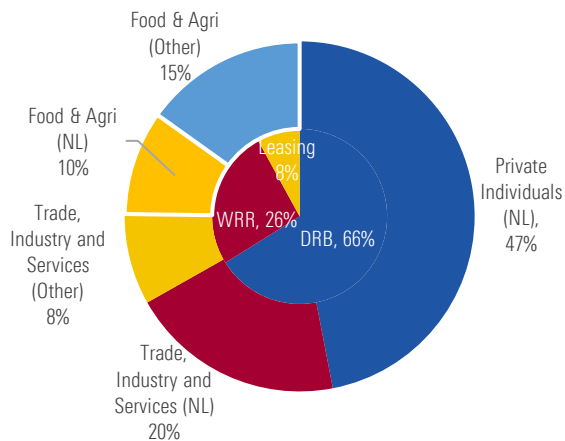
Scorecard BB Assessment	Grids BB Assessment	Combined BB Assessment
Good / Moderate	Strong	Strong / Good

#### *Credit Risk*

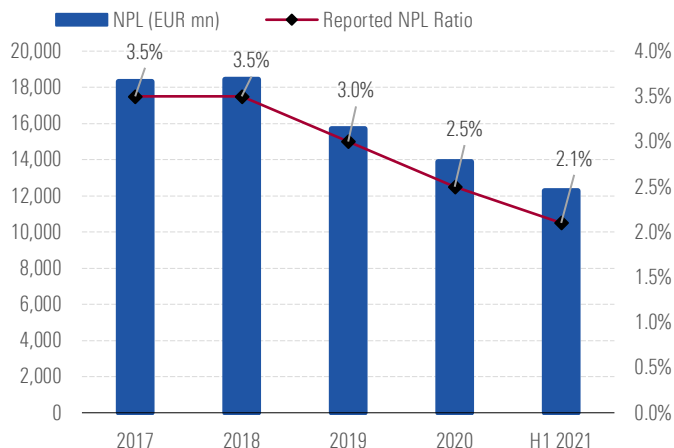
In DBRS Morningstar's view Rabobank's risk profile is conservative. The loan portfolio is weighed towards the Netherlands, with about 71% of the private sector loan book (this includes retail, wholesale, leasing and property development loans) in its domestic market. Since the COVID-19 pandemic began asset quality has benefited from various support measures in the Netherlands and other countries. However, as support measures are withdrawn, credit quality could deteriorate, especially if global developments such as supply chain disruptions have a dampening effect on the economy.

Rabobank's private sector loan portfolio totalled EUR 414.2 billion at end-H1 2021, representing 95% of the Group's total loans and advances to customers. The private sector loan portfolio is comprised of Domestic Retail Banking (DRB) loans (66%), followed by Wholesale & Rural (W&R) loans (26%) and leasing (8%). Dutch residential mortgage loans represent the single largest exposure by sector and stood at EUR 191.1 billion, or 46% of the total private sector loan book at end-H1 2021. The remainder of the portfolio appears well diversified by sector with trade, industry and services accounting for 28% of the book and with Food & Agri accounting for 25% (Exhibit 4). In terms of geographical split, the portfolio is mainly concentrated in the Netherlands (71%), followed by North America (10%), Europe outside the Netherlands (8%), Australia and New Zealand (6%), Latin America (3%) and Asia (2%).

**Exhibit 4** Private Sector Loan Portfolio, end June 2021



**Exhibit 5** NPL Evolution (EUR million), as reported



Source: DBRS Morningstar, Company Documents.

Asset quality indicators continued to improve in H1 2021 with a reported NPL ratio of 2.1% at end-June 2021, down from 2.5% at end-2020 (end-2019: 3.0%) (Exhibit 5). 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 7.5% of the loan portfolio at end-June 2021 down from 9.3% in June 2020, but still substantially higher than the 4.4% level at end-2019.

The domestic residential mortgage portfolio of EUR 191 billion remains strong, with an NPL ratio of 0.52% at end-June 2021, down from 0.66% at end-2020. Notably, less than 1% of the mortgage portfolio has been subject to payment holidays since the COVID-19 outbreak, and nearly all expired at end-2020. The loan-to-value ratio (LTV) of Rabobank’s Dutch residential mortgages portfolio continued its downwards trend and was 56% at end-June 2021, driven by an increase in house prices.

Rabobank’s EUR 107.2 billion Wholesale & Rural (W&R) lending portfolio is well diversified by geography and industry. W&R’s international private sector loan book represents 21% of the group’s total loan portfolio, of which 13% is wholesale and 8% is rural, with a particular focus on food and agribusiness and trade related sectors in food producing countries such as Australia, New Zealand and United States.

DBRS Morningstar notes that the impact from the COVID-19 pandemic on the Group’s domestic commercial real estate portfolio, which has been managed downwards to an exposure of EUR 20 billion at June-2021, has been limited so far. Generally, we view the portfolio as well diversified and prudently managed. However, some subsectors such as leisure and non-food retail continue to be vulnerable and DBRS Morningstar will continue to monitor developments in the CRE market.

Rabobank also operates a property development business (BPD), which contributed EUR 137 million to income and EUR 51 million to profits in the first half of 2021, an increase compared to the results in the first half of 2020. This adds to Rabo's CRE exposure and we note that, while property development generally constitutes a riskier segment of the CRE market, the focus is on housing, which is short in supply in the Netherlands, and pre-sale rates are very high.

#### *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 2020, the highest VaR recorded was EUR 7.5 million and the average VaR was EUR 4.8 million.

#### *Operational Risk*

Operational risk remains an important challenge for banking groups with the size and scope of Rabobank. So far, the Group has avoided the large fines and conduct costs that have affected some of its national and international peers in recent years. However, the Group received an injunction in September 2018 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. Nevertheless, in 2020, DNB carried out an inspection related to the injunction and it was determined Rabobank had not met the requirements outlined by DNB and was fined EUR 500K. In October, 2021, the DNB issued a draft instruction, which ordered the Group to remedy the deficiencies in its compliance with the Dutch Anti-Money Laundering Act and Anti-Terrorist Act. At the same time, the DNB announced the start of a punitive enforcement procedure. Given the elevated fines issued by the DNB to Rabobank's domestic competitors, we will continue to monitor further developments.

### **Funding and Liquidity**

<b>Scorecard BB Assessment</b>	<b>Grids BB Assessment</b>	<b>Combined BB Assessment</b>
Good	Strong	Strong / Good

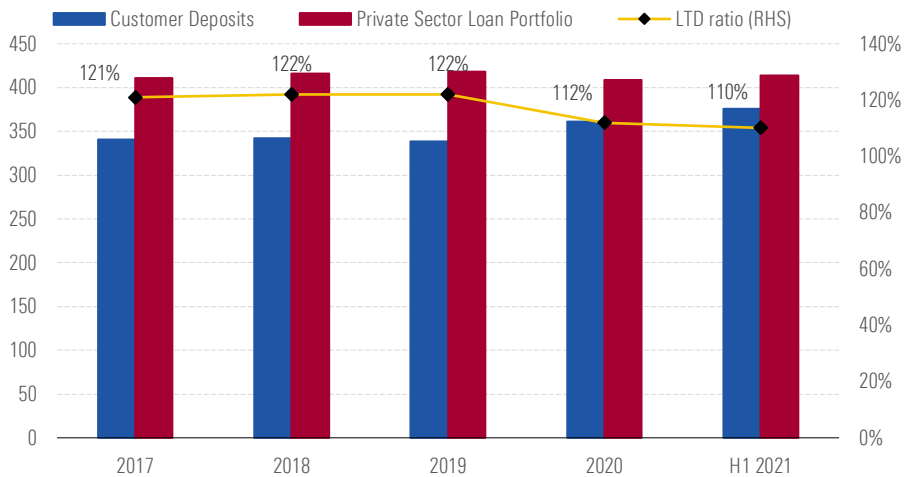
DBRS Morningstar considers that Rabobank has a solid funding profile, supported by a stable deposit base, diversified funding sources and no significant refinancing concentration.

The Group's loan-to-deposit ratio (LTD) reduced to 110% at end-H1 2021, from 113% at end-2020, driven by continued growth in deposits, but the Group's LTD remains towards the higher end compared to its 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 insurance pension schemes. We consider that this is mitigated by the Group's diversified funding mix and extended maturity profile.

Additionally, the Group continues to have very good access to global capital markets. Rabobank has been diversifying funding sources with the issuance of covered bonds, ABS and RMBS, and the Group had approximately EUR 12 billion of non-preferred senior debt outstanding in EUR, USD and JPY at end-June 2021. Rabobank is targeting non-preferred senior debt issuances of EUR 3-5 billion on average for the coming years, and has a long-term funding target of EUR 8 billion for 2021.



**Exhibit 6** Loan to Deposit Ratio (EUR bn)



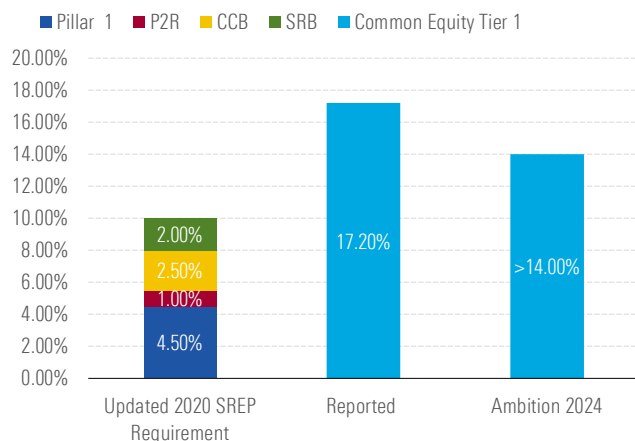
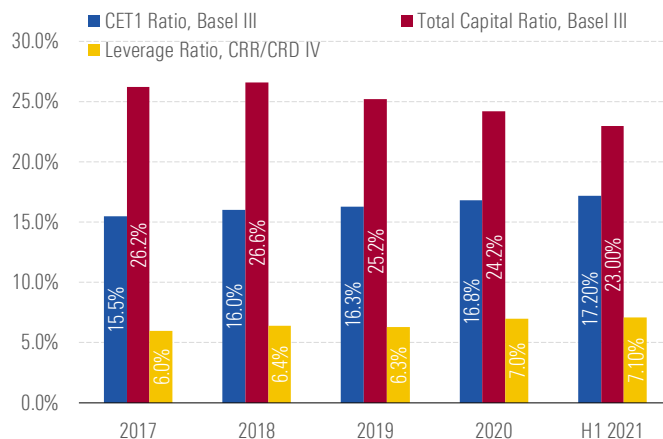
Source: DBRS Morningstar, Company Documents.

Rabobank's liquidity position remains solid. At end-H1 2021, the Group's liquidity buffer totalled EUR 143 billion, consisting of EUR 136 billion of high quality liquid assets (HQLA) and EUR 7 billion of unencumbered, ECB eligible assets. Rabobank reported a liquidity coverage ratio (LCR) of 229% and a net stable funding ratio (NSFR) of 132% at end-June 2021.

**Capitalisation**

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

In our opinion Rabobank has a strong capital position, although stricter regulatory requirements are expected to 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').

**Exhibit 7** CET1 Requirement vs. Reported, end H1-2021**Exhibit 8** Regulatory Capital Ratios

Source: DBRS Morningstar, Company Documents.

At end-H1 2021, the Group had a Common Equity Tier 1 (CET1) ratio of 17.2%, up from 16.8% at end-2020. The increase was mainly attributed to the addition of net profit to retained earnings. In line with the ECB recommendation i.e. banks should refrain from or limit dividends until end September 2021, Rabobank has adhered to this recommendations and made a quarterly distribution of EUR 0.13674 per Rabobank Certificate in the first three quarters of this year. The Group announced in August that they plan to make an exceptional quarterly distribution of EUR 1.21478 per Rabobank Certificate in Q4, as a result of ECB lifting its ban of dividend payments and will thereafter revert to their regular payment policy.

With banks in the Netherlands well positioned, the Dutch Central Bank has decided to introduce the previously announced mortgage risk weight floor in the Netherlands as of January 1, 2022, which is expected to lead to lower capital ratios, as this effectively brings forward most of the impact from the finalised Basel III rules ("Basel IV"). Starting in 2025, the introduction of the remaining "Basel IV" will further increase risk weighted assets (RWA), albeit on a smaller scale. Rabobank expects RWA inflation at the lower end of the 15-18% range. An increase in RWAs of 15% would translate into a CET1 ratio of around 15% at end-H1 2021, everything else being equal, compared to a 2024 target of 14% and current SREP requirements of 10.0%. The EBA published 2021 stress test results in July, which included an adverse scenario, that was based on a prolonged severe Covid-19-related economic downturn. Under this scenario Rabobank's CET1 ratio would decline to 10.0%. For more details regarding the stress test, please refer to our commentary '[Dutch Banks: Solid H1 2021 Performance Following Loan Loss Reversals](#), 26 August 2021'.

We consider Rabobank as well placed to meet future Minimum Requirement for Own Funds and Eligible Liabilities (MREL) requirements. Rabobank's MREL requirement to be met in January 2022 is 27.62% of RWA (including the stacked CBR). The MREL buffer was 30.1% at end-June 2021 consisting of qualifying capital, amortised Tier 2 capital and non-preferred senior debt, the two latter with maturities over a year.

## ESG Checklist

## 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)*
<b>Environmental</b>		<b>Overall:</b>	<b>N N</b>
<b>Emissions, Effluents, and Waste</b>	Do we consider the costs or risks result, or could result in changes to an issuer's financial, operational, and/or reputational standing?	N	N
<b>Carbon and GHG Costs</b>	Does the issuer face increased regulatory pressure relating to the carbon impact of its or its clients' operations resulting in additional costs?	N	N
<b>Climate and Weather Risks</b>	Will climate change and adverse weather events potentially disrupt issuer or client operations, causing a negative financial impact?	N	N
<b>Social</b>		<b>Overall:</b>	<b>N N</b>
<b>Social Impact of Products and Services</b>	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
<b>Human Capital and Human Rights</b>	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	N	N
	Do violations of rights create a potential liability that could negatively affect the issuer's financial wellbeing or reputation?	N	N
<b>Human Capital and Human Rights:</b>		<b>N</b>	<b>N</b>
<b>Product Governance</b>	Does failure in delivering quality products and services cause damage to customers and expose the issuer to financial and legal liability?	N	N
<b>Data Privacy and Security</b>	Has misuse or negligence in maintaining private client or stakeholder data resulted, or could result, in financial penalties or client attrition to the issuer?	N	N
<b>Community Relations</b>	Does engagement, or lack of engagement, with local communities pose a financial or reputational risk to the issuer?	N	N
<b>Access to Basic Services</b>	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
<b>Governance</b>		<b>Overall:</b>	<b>N N</b>
<b>Bribery, Corruption, and Political Risks</b>	Do alleged or actual illicit payments pose a financial or reputational risk to the issuer?	N	N
	Are there any political risks that could impact the issuer's financial position or its reputation?	N	N
<b>Bribery, Corruption, and Political Risks:</b>			
<b>Business Ethics</b>	Do general professional ethics pose a financial or reputational risk to the issuer?	N	N
<b>Corporate / Transaction Governance</b>	Does the issuer's corporate structure limit appropriate board and audit independence?	N	N
	Have there been significant governance failures that could negatively affect the issuer's financial wellbeing or reputation?	N	N
<b>Corporate / Transaction Governance:</b>		<b>N</b>	<b>N</b>
<b>Consolidated ESG Criteria Output:</b>		<b>N</b>	<b>N</b>

\* 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, the Bank is exposed to various climate change risks. The Bank has been incorporating UN SDG principles and has been reporting in line with the Taskforce for Climate Related Disclosures (TCFD) since 2019. Rabobank has also started to identify areas of increased climate change risk in the loan portfolio.

### *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. Following a ruling that a competitor had charged too much in interest on revolving consumer loans, Rabobank decided to compensate its own customers (~15% of customers). Data Privacy and Security are an ongoing issue for all institutions, but no major issues have been reported for Rabobank. 35% of senior positions are held by women.

### *Governance*

This factor does currently not affect the rating or trend assigned to Rabobank. However, it is a factor that DBRS Morningstar monitors closely. In September 2018, Rabobank received an injunction from the Dutch central bank (DNB) regarding its Know-Your-Customer (KYC) procedures. In October 2021, the DNB announced that Rabobank needs to significantly improve its deficiencies with the Dutch Anti-Money Laundering Act and Anti-Terrorist Act. DNB has also announced punitive enforcement procedures.

## Financials

	Coöperatieve Rabobank U.A.	Coöperatieve Rabobank U.A.	Coöperatieve Rabobank U.A.	Coöperatieve Rabobank U.A.	Coöperatieve Rabobank U.A.
EUR Millions	2021H1	2020Y	2019Y	2018Y	2017Y
Balance Sheet	6/30/2021	12/31/2020	12/31/2019	12/31/2018	12/31/2017
Cash and Deposits with Central Banks	123,792	108,466	63,086	73,335	66,861
Lending to/Deposits with Credit Institutions	25,883	21,383	29,297	17,859	27,254
Financial Securities	20,397	18,215	15,862	21,861	30,750
Financial Derivatives Instruments	23,601	29,638	23,584	22,660	25,505
Net Lending to Customers	437,863	438,074	442,026	438,627	433,457
- Gross Lending to Customers	442,022	442,774	445,966	442,362	438,903
- Loan Loss Reserves	4,159	4,700	3,940	3,735	5,446
Investment in Associates or Subsidiaries	2,203	2,183	2,308	2,374	2,521
Total Intangible Assets	719	740	829	966	1,002
Fixed Assets	4,928	5,015	5,459	4,648	4,780
Insurance Assets	NA	NA	NA	NA	NA
Other Assets (including DTAs)	11,611	8,544	8,147	8,107	10,861
Assets	650,997	632,258	590,598	590,437	602,991
Deposits from Banks	75,473	61,162	25,244	19,397	18,922
Deposits from Central Banks	0	0	0	0	0
Deposits from Credit Institutions	75,473	61,162	25,244	19,397	18,922
Deposits from Customers	376,065	361,271	339,240	343,105	344,563
Issued Debt Securities	NA	118,407	136,537	136,712	144,226
Issued Subordinated Debt	11,884	13,486	15,790	16,498	16,170
Financial Derivatives Instruments	20,665	28,402	24,074	23,927	28,103
Insurance Liabilities	NA	NA	NA	NA	NA
Other Liabilities	124,580	8,898	8,366	8,562	11,397
Equity Attributable to Parent	41,791	40,156	40,870	41,755	39,135
Minority Interests	539	476	477	481	475
Liabilities & Equity	650,997	632,258	590,598	590,437	602,991
EUR Millions	2021H1	2020Y	2019Y	2018Y	2017Y
Income Statement	6/30/2021	12/31/2020	12/31/2019	12/31/2018	12/31/2017
Interest Income	6,556	13,776	16,129	16,281	16,571
Interest Expenses	2,426	5,592	7,674	7,722	7,728
Net Interest Income	4,130	8,184	8,455	8,559	8,843
Net Fees and Commissions	993	1,780	1,858	1,931	1,915
Results from Financial Operations	435	-70	256	364	263
Equity Method Results	199	188	192	243	245
Net Income from Insurance Operations	NA	NA	NA	NA	NA
Other Operating Income	355	700	653	923	756
Total Operating Income	6,112	10,782	11,414	12,020	12,022
Staff Costs	2,279	4,684	4,821	4,868	4,472
Other Operating Costs	1,088	2,011	2,199	2,578	3,559
Depreciation/Amortisation	178	395	420	388	406
Total Operating Expenses	3,545	7,090	7,440	7,834	8,437
Income Before Provisions and Taxes (IBPT)	2,567	3,692	3,974	4,186	3,585
Loan Loss Provisions	-275	1,913	976	195	-191
Securities & Other Financial Assets Impairmen	1	0	-1	-5	22
Other Impairments	NA	283	300	90	122
Other Non-Operating Income (Net)	0	0	342	0	0
Income Before Taxes (IBT)	2,841	1,496	3,041	3,906	3,632
Tax on Profit	681	400	838	902	958
Discontinued Operations	0	0	0	0	0
Other After-tax Items	0	0	0	0	0
Minority Interest	52	41	46	60	58
Net Attributable Income	2,108	1,055	2,157	2,944	2,616
EUR Millions	2021H1	2020Y	2019Y	2018Y	2017Y
Other Items	6/30/2021	12/31/2020	12/31/2019	12/31/2018	12/31/2017
NPLs	12,276	13,882	15,705	18,436	18,315
Assets Under Management	29,515	16,339	6,399	4,726	4,030
No. of Employees (end-period)	43,263	43,272	43,822	43,247	45,063
Risk-Weighted Assets (RWA)	210,768	205,773	205,797	200,531	198,269
RWA over Total Assets (%)	32.38	32.55	34.85	33.96	32.88

Source: DBRS Morningstar Analysis; Copyright © 2021, S&P Global Market Intelligence\*

	Coöperatieve Rabobank U.A. 2021H1	Coöperatieve Rabobank U.A. 2020Y	Coöperatieve Rabobank U.A. 2019Y	Coöperatieve Rabobank U.A. 2018Y	Coöperatieve Rabobank U.A. 2017Y
<b>Earnings Power</b>					
<b>Earnings</b>					
Net Interest Margin (%)	1.32	1.38	1.47	1.48	1.44
Yield on Average Earning Assets (%)	2.10	2.32	2.81	2.81	2.70
Cost of Interest Bearing Liabilities (%)	0.82	0.99	1.42	1.41	1.33
IBPT over Avg Assets (%)	0.80	0.60	0.67	0.70	0.57
IBPT over Avg RWAs (%)	2.47	1.79	1.96	2.10	1.75
<b>Expenses</b>					
Cost / Income ratio (%)	58.00	65.76	65.18	65.17	70.18
Operating Expenses by Employee	163,881	163,847	169,778	181,146	187,227
LLP / IBPT (%)	-10.71	51.81	24.56	4.66	-5.33
<b>Profitability Returns</b>					
Return on Avg Equity (ROAE) (%)	10.29	2.60	5.22	7.28	6.61
Return on Avg Assets (ROAA) (%)	0.67	0.18	0.37	0.50	0.42
Return on Avg RWAs (%)	2.07	0.53	1.08	1.51	1.31
Dividend Payout Ratio (%)	NA	NA	NA	NA	NA
Internal Capital Generation (%)	NA	NA	NA	NA	NA
<b>Risk Profile</b>					
Gross NPLs over Gross Loans (%)	2.78	3.14	3.52	4.17	4.17
Net NPLs over Net Loans (%)	1.85	2.10	2.66	3.35	2.97
NPL Coverage Ratio (%)	33.88	33.86	25.09	20.26	29.74
Net NPLs over IBPT (%)	158.10	248.70	296.05	351.19	358.97
Net NPLs over CET1 (%)	22.42	26.50	35.02	45.77	41.16
Texas Ratio (%)	26.41	30.62	34.68	40.10	40.65
Cost of Risk (%)	-0.13	0.43	0.22	0.04	-0.04
Level 2 Assets/ Total Assets (%)	4.17	5.19	4.38	4.61	4.88
Level 3 Assets/ Total Assets (%)	0.44	0.35	0.35	0.44	0.40
<b>Funding and Liquidity</b>					
Bank Deposits over Funding (%)	NA	11.12	4.89	3.76	3.63
- Interbank over Funding (%)	NA	11.12	4.89	3.76	3.63
- Central Bank over Funding (%)	NA	0.00	0.00	0.00	0.00
Customer Deposits over Funding (%)	NA	65.11	65.64	66.53	65.76
Wholesale Funding over Funding (%)	NA	23.77	29.47	29.71	30.61
- Debt Securities over Funding (%)	NA	21.34	26.42	26.51	27.52
- Subordinated Debt over Funding (%)	NA	2.43	3.06	3.20	3.09
Liquid Assets over Assets (%)	26.12	23.42	18.33	19.15	20.71
Non-Deposit Funding Ratio (%)	38.21	38.94	38.24	37.41	38.84
Net Loan to Deposit Ratio (%)	116.43	121.26	130.30	127.84	125.80
LCR (Phased-in) (%)	228.85	192.77	132.00	135.00	123.00
NSFR (%)	132.40	127.48	118.00	119.00	119.00
<b>Capitalisation</b>					
CET1 Ratio (Phased-In) (%)	17.18	16.84	16.32	16.02	15.77
CET1 Ratio (Fully-Loaded) (%)	17.18	16.81	16.30	16.02	15.50
Tier 1 Capital Ratio (Phased-In) (%)	19.02	18.98	18.83	19.48	18.76
Total Capital Ratio (Phased-In) (%)	23.02	24.23	25.25	26.56	26.19
Tang. Equity / Tang. Assets (%)	6.40	6.32	6.87	7.00	6.41
Leverage Ratio (DBRS) (%)	5.75	5.74	5.94	5.68	5.45
<b>Growth</b>					
Net Attributable Income YoY (%)	150.7	-51.1	-26.7	12.5	33.5
Net Fees and Commissions YoY (%)	8.5	-4.2	-3.8	0.8	4.9
Total Operating Expenses YoY (%)	-3.9	-4.7	-5.0	-7.1	-5.8
IBPT YoY (%)	36.3	-7.1	-5.1	16.8	-6.7
Assets YoY (%)	3.0	7.1	0.0	-2.1	-9.0
Gross Lending to Customers YoY (%)	-0.2	-0.7	0.8	0.8	-4.9
Net Lending to Customers YoY (%)	-0.1	-0.9	0.8	1.2	-4.5
Loan Loss Provisions YoY (%)	NA	96.0	400.5	NA	NA
Deposits from Customers YoY (%)	8.3	6.6	-1.1	-0.5	-2.0

Source: DBRS Morningstar Analysis; Copyright © 2021, S&amp;P Global Market Intelligence\*.

## Rating Methodology

The applicable methodology is the *Global Methodology for Rating Banks and Banking Organisations (19 July 2021)* and *DBRS Morningstar Criteria: Approach to Environmental, Social, and Governance Risk Factors in Credit Ratings (3 February 2021)* 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 (low)	Stable	Confirm
Coöperatieve Rabobank U.A.	Long-Term Senior Debt	AA (low)	Stable	Confirm
Coöperatieve Rabobank U.A.	Long-Term Deposits	AA (low)	Stable	Confirm
Coöperatieve Rabobank U.A.	Short-Term Issuer Rating	R-1 (middle)	Stable	Confirm
Coöperatieve Rabobank U.A.	Short-Term Debt	R-1 (middle)	Stable	Confirm
Coöperatieve Rabobank U.A.	Short-Term Deposits	R-1 (middle)	Stable	Confirm
Coöperatieve Rabobank U.A.	Long-Term Critical Obligations Rating	AA (high)	Stable	Confirm
Coöperatieve Rabobank U.A.	Short-Term Critical Obligations Rating	R-1 (high)	Stable	Confirm

## Ratings History

Issuer	Obligation	Current	2020	2019	2018	2017
Coöperatieve Rabobank U.A.	Long-Term Issuer Rating	AA (low)	AA	AA	AA	AA
Coöperatieve Rabobank U.A.	Long-Term Senior Debt	AA (low)	AA	AA	AA	AA
Coöperatieve Rabobank U.A.	Long-Term Deposits	AA (low)	AA	AA	AA	AA
Coöperatieve Rabobank U.A.	Short-Term Issuer Rating	R-1 (middle)	R-1 (high)	R-1 (high)	R-1 (high)	R-1 (high)
Coöperatieve Rabobank U.A.	Short-Term Debt	R-1 (middle)	R-1 (high)	R-1 (high)	R-1 (high)	R-1 (high)
Coöperatieve Rabobank U.A.	Short-Term Deposits	R-1 (middle)	R-1 (high)	R-1 (high)	R-1 (high)	R-1 (high)
Coöperatieve Rabobank U.A.	Long-Term Critical Obligations Rating	AA (high)	AAA	AAA	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)

**Previous Action**

- [DBRS Morningstar Confirms Rabobank's LT Issuer Rating at AA \(low\), Trend Remains Stable](#), 5 November 2021
- [DBRS Morningstar Downgrades Rabobank's LT Issuer Rating to AA \(low\), Trend Stable](#), 29 March 2021
- [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

**Related Research**

- [ESG Factors for Banks, Part Two: Governance Factors](#), 19 October 2021
- [European Banks Report Significantly Lower Cost of Risk in H1 2021 Supported by Loan Loss Releases](#), 15 September 2021
- [Dutch Banks: Solid H1 2021 Performance Following Loan Loss Reversals](#), 26 August 2021
- [ESG Factors for Financial Institutions, Part One: Environmental Factors](#), 27 April 2021
- [Dutch Banks' CRE Exposure – Risks Contained](#), 30 March 2021

**Previous Report**

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