Creditreform Bank Rating

Coöperatieve Rabobank U.A. (Group)

Creditreform Rating

Rating Object	Rating Information
Coöperatieve Rabobank U.A. (Group)	Long Term Issuer Rating / Outlook: **A+ / stable** Short Term: **L2**
Creditreform ID: 400976778 Management: Wiebe Draijer (CEO) Bas Brouwers (CFO)	Type: Update / Unsolicited
Rating Date: **23 September 2021** Monitoring until: withdrawal of the rating Rating Methodology: CRA "Bank Ratings v.3.0" CRA "Rating of Bank Capital and Unsecured Debt Instruments v.2.0" CRA "Environmental, Social and Governance Score for Banks v.1.0" CRA "Rating Criteria and Definitions v.1.3" Rating History: www.creditreform-rating.de	Rating of Bank Capital and Unsecured Debt Instruments: Preferred Senior Unsecured: **A+** Non-Preferred Senior Unsecured: **A** Tier 2: **BBB+** Additional Tier 1: **BBB-**

Contents

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Key Rating Driver

- \+ Globally diversified cooperative business model
- \+ One of the world's leading banks in the food and agriculture sector
- \+ Leading position in the domestic retail banking and considerable shares at domestic mortgage loans
- \+ Strong capitalization
- \+ Sound quality of assets with a steadily decreasing NPL ratio
- +/- High proportion of operating income in the Netherlands
- \- Moderate intrinsic profitability
- \- High interest income dependency whereby the low interest rate environment leads to a continuous decline of the bank's net interest income
- \- Increasing potential problem loans (stage 2) following the Corona pandemic
- \- Moderate growth opportunities in its retails business in the Netherlands

Executive Summary

Creditreform Rating affirms the unsolicited long-term issuer rating of Coöperatieve Rabobank U.A. at A+. However, we raised the outlook from negative to stable. The raise of the outlook and the affirmation of the credit rating is a result of an only little impact of the Corona crisis on Rabobank's business. In addition, we expect Rabobank already in 2021 to regain a solid level of profitability. Moreover, Rabobank benefits from its strong retail business in the economically strong Netherlands and its global role as one of the leading banks in the food & agri sector. In addition, Rabobank still maintains its strong capitalization but risks may arise from the increasing potential problem loans (stage 2) exposure.

Company Overview

The cooperative bank Coöperatieve Rabobank U.A. (hereafter Rabobank or the bank) is a Dutch cooperative banking group headquartered in Utrecht. All local Rabobanks and the Rabobank Group Organization operate as one cooperative bank with one banking license and one set of financial statements. The roots of the group go back to the year 1895. Rabobank was founded with the merger of the two head organizations Coöperatieve Centrale Raiffeisen-Bank in Utrecht and the Coöperatieve Centrale Boerenleenbank in Eindhoven in 1972. Today Rabobank Group is the second largest bank in the Netherlands in terms of total assets. With 43,263 employees (FTE's at H1-2021 period-end), the Group serves more than 6.7 million retail and 800,000 business customers in the Netherlands in addition to its 10 million customers worldwide.

As an international financial service provider, the bank operates in more than 40 countries and offers its clients a comprehensive range of financial products and services and is in particular active internationally as a financial services provider in the Food & Agri sector, where Rabobank is one of the world's leading banks. The bank is divided in the following business lines: domestic retail banking, wholesale & rural, leasing, property development and other segments.
Domestic Retail Banking mainly encompasses the activities of the local Rabobanks, the subsidiary Obvion (among other responsible for mortgages), Financial Solutions and Roparco. Wholesale and Rural (W&R) contains wholesale activities in the Netherlands and focuses on the Food & Agri sectors internationally. The Leasing segment is responsible for the global leasing activities and offers a wide range of leasing products. Property Development mainly encompasses the activities of Bouwfonds Property Development with its focus on the development of housing. Other segments within Rabobank include mainly the financial results of investments in associates (in particular Achmea B.V.), Treasury and Head Office operations. See chart 2 for the contribution of each segments to the bank's operating income in the chapter profitability.

Rabobank's strategy is focused on following four pillars: "Excellent Customer Focus", "Meaningful Cooperative", "Empowered Employees" and "Rock-Solid Bank". Thereby Rabobanks strives among others to the following priorities: "100% digital convenience in everything", "Growth with innovation", "Concrete socially responsible contribution", "Top performance with an optimal balance sheet and a strong capitalization".

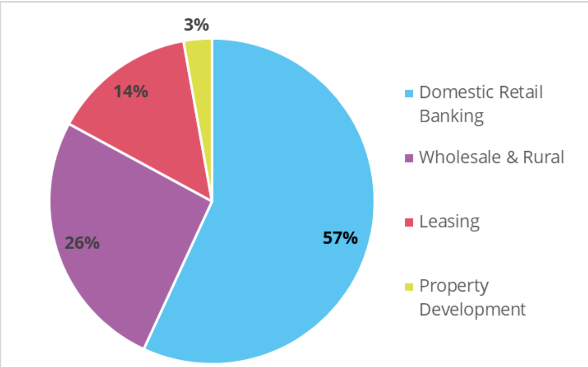
As a cooperative bank, Rabobank's owner are its members. Customers can demonstrate their involvement with the bank by becoming members. Nearly 2 million customers are currently members of Rabobank. They have a voice in deciding the bank's course.

Business Development

Profitability

Rabobank's operating income amounted to €12.5 billion in 2020, decreasing by about 3.75% in a year-over-year comparison (-€490 million). The operating income of Rabobank by its business lines can be found in chart 1 below:

Chart 1: Operating income by business segments. | Source: Annual Report 2020 of Rabobank.



Net interest income contributed the major share to operating income (65%), but decreased steadily over the last years. As other banks, Rabobank struggles with the low interest rate environment, which puts a significant pressure on its interest margins. In addition, the divestment of the bank's international retail activities (mainly RNA) lowered the net interest result as well. Even with the participation in the ECB's TLTRO III program (positive impact of €66mn in 2020), Rabobank was not able to counteract the negative development. As an additional measure, Rabobank started to introduce a negative interest rate on retail customer deposits in 2021. Thus, Rabobank might be able to slow down the decline of its net interest income. In addition, Rabobank's leading role in the food and agribusiness markets worldwide is a significant advantage.

Fees and commissions as the second largest source of income decreased YOY as well (€78mn), mainly due to increased commission expenses for payment services and fewer payment transactions by private individuals and SME clients as well as due to lower customer activities following the Corona pandemic in general. Overall, a higher diversification of income sources would be beneficial to the Bank to reduce its dependency on the interest income as well as on the economic situation.

Considering the bank's H1-2021 report, Rabobank reports a further decline of the net interest income (excl. TLTRO III gains of €192mn), which was overcompensated by an increase of the net fee and commission income due to increased market activities following the economic recovery.

Net trading income was negative due to fair value changes of some hedging derivatives. However, this item has overall only a small impact on the Group's performance. In addition, due to the recovery of the economy in 2021 already, we expect a significant improvement and a positive result at this item.

Operating expenses amounted to €8.9 billion in 2020, decreasing steadily over the past years driven mainly due to lower personnel expense. Personnel expenses as the major expense position decreased due to the reduced total staff number (2020: 43,272 FTE vs. 2019: 43,822 FTE), in addition due to lower travel and hotel expense following the Corona pandemic. The rise in the bank's item of depreciation and amortization is impacted by the impairment on Rabobank's data centers, which is rather a one-off effect. Other expense consist among others of regulatory expense (contributions to Deposit Guarantee Scheme of €177mn, local bank taxes of €136mn and the Single Resolution Fund of €225mn). In addition, the banks expenses from real estate activities (€1,066mn) as well as from lease activities (€734mn) are condensed in this item.

Rabobank's cost of risk increased significantly as a result of the Corona crisis in 2020. The strong increase is related to considerable impairment charges primarily on loans (€1,913mn) in addition to goodwill impairments (€283mn). About €893mn of the mentioned loan impairments are related to stage 1 and stage 2 loans and are therefore primarily a result of worsened economic outlook. By contrast, the stage 3 impairments are mostly related to the wholesale & rural segment caused by several defaults (€712mn). However, due to the recovery of the economy and the outlook, we expect a significant lowering of defaults and reversals of impairments in the upcoming years, as actual write-downs are rather rare due to various government support measures. Rabobank's H1-21 report already indicates this development, as the bank reports reversals of its impairments of about €242mn. Thus, we expect Rabobank to reverse back to its natural level of impairment charges, comparable to the level of 2019. With the benefit of significant reversals of its impairments, the bank will likely see a boost the net profit in 2021 (H1-21 net profit of already of €2,160mn).
The bank's net result was further negatively impacted by the impairment of its equity stake in Achmea B.V. (strategic partner of Rabobank for insurance products where the bank holds about 30% of the shares) with €213mn. Additionally, the bank reported the impairment of goodwill (€70mn) at the subsidiary De Lage Landen (DLL), which is primarily a result of the low interest rate environment. No goodwill related to the leasing subsidiary remains on Rabobank's balance sheet after this impairment.

A detailed group income statement for the years of 2017 through 2020 can be found in Figure 1 below:

Figure 1: Group income statement | Source: eValueRate / CRA

Income Statement (EUR m)	2020	%	2019	2018	2017
Income					
Net Interest Income	8.184	-3,2	8.455	8.559	8.843
Net Fee & Commission Income	1.780	-4,2	1.858	1.931	1.915
Net Insurance Income	-	-	-	-	-
Net Trading Income	-67	< -100	255	354	263
Equity Accounted Results	188	-2,1	192	243	245
Dividends from Equity Instruments	-	-	-	-	-
Other Income	2.492	+8,0	2.307	2.778	2.347
Operating Income	**12.577**	**-3,7**	**13.067**	**13.865**	**13.613**
Expense					
Depreciation and Amortisation	519	+24,8	416	454	525
Personnel Expense	4.684	-2,8	4.821	4.868	4.472
Tech & Communications Expense	365	-1,6	371	426	751
Marketing and Promotion Expense	92	-38,7	150	151	152
Other Provisions	120	-26,4	163	262	721
Other Expense	3.124	-2,5	3.203	3.727	3.763
Operating Expense	**8.904**	**-2,4**	**9.124**	**9.888**	**10.384**
Operating Profit & Impairment					
Pre-impairment Operating Profit	**3.673**	**-6,8**	**3.943**	**3.977**	**3.229**
Asset Writedowns	2.196	+72,2	1.275	190	-169
Net Income					
Non-Recurring Income	19	-94,9	373	119	234
Non-Recurring Expense	-	-	-	-	-
Pre-tax Profit	**1.496**	**-50,8**	**3.041**	**3.906**	**3.632**
Income Tax Expense	400	-52,3	838	902	958
Discontinued Operations	-	-	-	-	-
Net Profit	**1.096**	**-50,2**	**2.203**	**3.004**	**2.674**
Attributable to minority interest (non-controlling interest)	41	-10,9	46	60	58
Attributable to owners of the parent	1.055	-51,1	2.157	2.944	2.616

Due to Corona impact on the net result in 2020, Rabobank's earnings ratios worsened significantly in a year-over-year comparison. The values for ROAA, ROAE and RoRWA before and after taxes reached an unsatisfactory level, however; we expect Rabobank to reach its previous decent level of profitability, which Rabobank was able to achieve in the pre Corona periods. In addition, the Rabobank will likely reach its 2024 ambition to achieve a ROE of 6-7%. Rabobank's intrinsic profitability remained at a moderate level, which is indicated by the cost income ratio fluctuating at around 70%. There is still a way to go to reach its own target of a CIR in the lower 60% range until 2024. By contrast, the bank's net financial margin is still at a considerable level, despite the low interest rate environment. Overall, we acknowledge the stable and resilient profitability of Rabobank but consider the high dependency on its interest rates to be critical. With regard to the year-end result 2021, a positive outlier is expected due to significant reversals of impairments on loans.

A detailed overview of the income ratios for the years of 2017 through 2020 can be found in Figure 2 below:

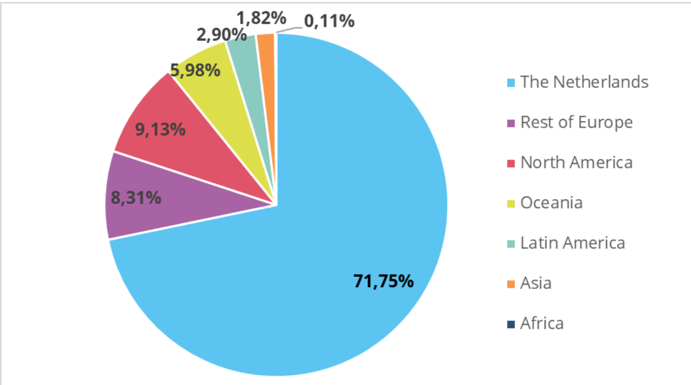
Figure 2: Group key earnings figures| Source: eValueRate / CRA

Income Ratios (%)	2020	%	2019	2018	2017
Cost Income Ratio (CIR)	70,80	+0,97	69,82	71,32	76,28
Cost Income Ratio ex. Trading (CIRex)	70,42	-0,79	71,21	73,18	77,78
Return on Assets (ROA)	0,17	-0,20	0,37	0,51	0,44
Return on Equity (ROE)	2,70	-2,63	5,33	7,11	6,75
Return on Assets before Taxes (ROAbT)	0,24	-0,28	0,51	0,66	0,60
Return on Equity before Taxes (ROEbT)	3,68	-3,67	7,35	9,25	9,17
Return on Risk-Weighted Assets (RORWA)	0,53	-0,54	1,07	1,50	1,35
Return on Risk-Weighted Assets before Taxes (RORWAbT)	0,73	-0,75	1,48	1,95	1,83
Net Interest Margin (NIM)	1,30	-0,09	1,39	1,55	1,30
Pre-Impairment Operating Profit / Assets	0,58	-0,09	0,67	0,67	0,54
Cost of Funds (COF)	0,96	-0,46	1,42	1,43	1,40
Change in %- Points					

Asset Situation and Asset Quality

Net loans to customers represent the largest share of Rabobank's assets, accounting for about 66% of total assets, but decreasing YOY by about €8bn mainly because of exchange rate differences. See chart 2 below for the geographically distribution of Rabobank's private sector loan portfolio:

Chart 2: Geographically distribution of Rabobank's private sector loan portfolio year-end 2020. | Source: Own presentation based on date of the Annual Report 2020 of Rabobank.



In general, Rabobank struggled to increase its lending business over the past years and the introduction of government loans following the Corona pandemic as a support measures reinforce this development. Furthermore, Rabobank remained market leader in the Dutch residential mortgage market (generally associated with a low risk profile) with a market share for new loans of 22%. Overall, the bank's loan portfolio is allocated with 47% to private individuals, 27% to trade, industry and services and 26% to the food and agricultural sectors. Loans to trade, industry and services and loans to the food and agricultural sectors are spread over a wide range of industries in many different countries. None of these individual sector shares represents more than 10% of the total private sector lending. In addition, the bank's loan portfolio is primarily allocated in the Netherlands with about 72%. As of June 2021, Rabobank's loan volume and loan portfolio did not change significantly. Following the Corona pandemic, Rabobank's granted payment holidays for a total amount of €21 billion, which might bear an additional risk.

Moreover, Rabobank increased its cash balances at central banks significantly to about €108.5 billion; following the participation at ECB's TLTRO III funding program with about €40 billion, which enables Rabobank very favorable funding conditions at a negative interest rate. As a result, we expect Rabobank to increase its lending activities in the short run and benefit from the very favorable conditions over the next years, which will have a significantly positive impact on the bank's net interest income. However, as of June 2021, Rabobank still struggles to increase its lending activities while the bank records an increase of its Cash position mainly due to an additional TLTRO III participation with about €15bn. The excess liquidity increased the liquidity buffers of the bank far beyond the regulatory requirements but shows a lack of investment opportunities. Other financial assets represent mostly Rabobank's reverse repurchase loans with credit institutions.

A detailed look at the development of the asset side of the balance sheet for the years of 2017 through 2020 can be taken in Figure 3 below:

Figure 3: Development of assets| Source: eValueRate / CRA

Assets (EUR m)	2020	%	2019	2018	2017
Cash and Balances with Central Banks	108.466	+71,9	63.086	73.335	66.861
Net Loans to Banks	5.580	-15,4	6.594	9.116	9.968
Net Loans to Customers	420.719	-1,8	428.473	425.698	419.717
Total Securities	18.215	+14,8	15.862	21.861	31.643
Total Derivative Assets	29.638	+25,7	23.584	22.660	25.505
Other Financial Assets	33.158	-8,5	36.256	21.672	30.133
Financial Assets	**615.776**	**+7,3**	**573.855**	**574.342**	**583.827**
Equity Accounted Investments	2.183	-5,4	2.308	2.374	2.521
Other Investments	450	+21,3	371	193	193
Insurance Assets	-	-	-	-	-
Non-current Assets & Discontinued Ops	52	-88,0	435	268	992
Tangible and Intangible Assets	6.942	-10,2	7.727	7.115	7.862
Tax Assets	985	-10,6	1.102	1.408	1.908
Total Other Assets	5.870	+22,3	4.800	4.737	5.688
Total Assets	**632.258**	**+7,1**	**590.598**	**590.437**	**602.991**

Rabobank's asset quality figures remained despite the Corona pandemic impact widely at a sound level. Rabobank was even able to reduce its NPL ratio to 2.5%, mainly through write-offs in the domestic business portfolio. As of June 2021, Rabobank reported an NPL Ratio of only 2.1%, which is considerable during the pandemic. However, lower default rates are also related to several government support measures. The Stage 2 Loans / Net Loans to Customers ratio worsened significantly YOY and reached a substandard level. This development shows a significant volume of potential problem loans. Rabobank's stage 2 exposure rose to about €34bn and remained at this high level as of June 2021. This high stage 2 exposure will likely result in more defaults in the near future and will lead to higher Stage 3 exposures after the run out of the government support measures which requires a close monitoring. The coverage ratio of Rabobank is at a low level with 35%, indicating a less prudent approach in comparison to other large European banks, which bears additional risk in case of significant default rates.

The net-write-offs in relation to risk-weighted assets as well as in relation to total assets of Rabobank strongly worsened. However, this development is in line with most other European banks and is primarily a result of the large loan loss provisions of Rabobank due to the worsening of the macroeconomic conditions in 2020. However, as the expected massive negative effects of the Corona pandemic did not materialize following the large government support measures, we expect Rabobank to reach its previous year level in this regard with the mentioned ratios in the mid-term. In addition, we expect Rabobank to benefit from significant reversals of loan loss provisions in 2021. Rabobank's risk weighted assets ratio declined to a low level at 32.5%. This development is primarily the result of the increase in total assets following the TLTRO III participation, while the RWA volume remained almost unchanged YOY at €205bn as well as of June 2021. Thereby a variety of factors offset one another. While the new definition of default and TRIM increased Rabobank's RWA, the postponed measure of De Nederlandsche Bank (DNB) to apply a minimum risk weight for mortgages, the revised SME support factor and lower operational risk RWA lead to a decrease.

A detailed overview of the asset quality for the years of 2017 through 2020 can be found in Figure 4 below:

Figure 4: Development of asset quality| Source: eValueRate / CRA

Asset Ratios (%)	2020	%	2019	2018	2017
Net Loans/ Assets	66,54	-6,01	72,55	72,10	69,61
Risk-weighted Assets/ Assets	32,55	-2,30	34,85	33,96	32,88
NPLs*/ Net Loans to Customers	2,50	-0,50	3,00	3,50	3,01
NPLs*/ Risk-weighted Assets	6,56	-0,77	7,33	7,98	6,36
Potential Problem Loans**/ Net Loans to Customers	8,13	+3,37	4,77	3,75	1,95
Reserves/ NPLs*	34,80	+8,69	26,11	23,35	43,16
Reserves/ Net Loans	1,12	+0,20	0,92	0,88	1,30
Net Write-offs/ Net Loans	0,52	+0,22	0,30	0,04	-0,04
Net Write-offs/ Risk-weighted Assets	1,07	+0,45	0,62	0,09	-0,09
Net Write-offs/ Total Assets	0,35	+0,13	0,22	0,03	-0,03
Level 3 Assets/ Total Assets	0,35	+0,01	0,35	0,44	0,40
Change in %-Points					

* NPLs are represented from 2017 onwards by Stage 3 Loans.
** Potential Problem Loans are Stage 2 Loans where available.

Refinancing, Capital Quality and Liquidity

Rabobank is primarily funded via deposits (61% of total liabilities), which are largely sourced through its wide branch network. The strong inflow at current and saving accounts is a result of the Corona pandemic and the following excess liquidity at the customer base. As of H1-2021, Rabobank records a further growth in customer deposits to about €377 billion. On one hand, customer deposits are a very favorable source of refinancing. On the other hand, due to the negative interest rate environment, Rabobank has to pay negative interest rates for its deposits at the ECB, which in turn burdens the bank. However, Rabobank started to counteract this development by introducing negative interest rates for its customer deposits starting in 2021. Thus, this strategy might improve Rabobank's net income result.

Total debt, accounting for 22% of Rabobank's liabilities, decreased strongly YOY because of the crowding out effect of the TLTRO III funding program by the ECB. This in turn increased the bank's liabilities to banks position and enables very favorable funding at a negative interest rate if the conditions are met. With regard to Rabobank's debt securities, the bank issues primarily long-term bonds (68% of debt securities) with a balanced maturity profile.

The Group's total equity decreased despite retained earnings, a result of redemption of AT1 capital instruments (€1.8bn) in addition to exchange losses (€691mn). This development was partially offset by the issue of AT 1 capital in addition to exchange rate gains in 2021 already. Moreover, Rabobank followed all ECB recommendations with regard to dividend payments, but will revert to its payment policy thereafter.

A detailed overview of the development of liabilities for the years of 2017 through 2020 can be found in Figure 5 below:

Figure 5: Development of refinancing and capital adequacy| Source: eValueRate / CRA

Liabilities (EUR m)	2020	%	2019	2018	2017
Total Deposits from Banks	60.723	> +100	23.722	19.306	18.526
Total Deposits from Customers	361.271	+6,5	339.240	342.397	340.580
Total Debt	131.389	-13,4	151.785	153.918	160.396
Derivative Liabilities	28.402	+18,0	24.074	23.927	28.103
Securities Sold, not yet Purchased	-	-	-	-	-
Other Financial Liabilities	1.987	+1,7	1.953	504	5.068
Total Financial Liabilities	**583.772**	**+8,0**	**540.774**	**540.052**	**552.673**
Insurance Liabilities	-	-	-	-	-
Non-current Liabilities & Discontinued Ops	-	-	91	-	256
Tax Liabilities	588	-23,4	768	681	644
Provisions	619	-20,9	783	1.126	1.537
Total Other Liabilities	6.647	-2,8	6.835	6.342	8.271
Total Liabilities	**591.626**	**+7,7**	**549.251**	**548.201**	**563.381**
Total Equity	**40.632**	**-1,7**	**41.347**	**42.236**	**39.610**
Total Liabilities and Equity	**632.258**	**+7,1**	**590.598**	**590.437**	**602.991**

Rabobank's CET1 ratio improved to the sound level of 16.8%, following net profit retention. This value is considerably higher than the ratios of other large European banks. In addition, Rabobank remained well above its targeted CET1 ratio of >14% and the required 10% of regulatory bodies. The Group's Additional Tier 1 ratio as well as Total Capital ratio decreased following some redeemed AT1 and T2 capital, which was only partially offset by some additional issues. However, Rabobank still reaches a very satisfactory level with both mentioned ratios. A further decline of the Total capital ratio is expected, as the bank intends to reduce its total capital to about 20%, which would be still a satisfactory figure. Rabobank's total equity / total assets ratio decreased to an average level. However, this development is primarily a result of the increase in total assets, following the TLTRO III participation. By contrast, Rabobank's improvement of the leverage was primarily related to the positive impact of the regulatory exclusion of Central Bank exposures from the total balance sheet. Overall, Rabobank comfortably meets all regulatory requirements with its capital ratios and shows a reasonable capitalization.

Overall, Rabobank's capital figures are the best performers of all areas analyzed.

Rabobank's Net Stable Funding Ratio of 128% comfortably exceeds the required level 100%. The Group's LCR increased as a result of its excess liquidity to a very high level of 193% and exceeds other the large European banks, whereby Rabobank comfortably meets the regulatory requirements.

The customer deposits to total funding ratio shows the Group's stable and favorable source of funding - the deposits of its customers – which remain at a very stable proportion at around 64%. However, considering the negative interest rate for deposits at the ECB, Rabobank faces the negative impact of its excess liquidity. Moreover, the Group relies more on customer deposits as source of funding than most other large European banks.

Up to now, Rabobank shows a very high level of liquidity. However, we do not perceive any liquidity issues at the whole banking sector due to the ECB liquidity measures.

A detailed overview of the development of capital and liquidity ratios for the years of 2017 through 2020 can be found in Figure 6 below:

Figure 6: Development of capital and liquidity ratios | Source: eValueRate / CRA

Capital Ratios and Liquidity (%)	2020	%	2019	2018	2017
Total Equity/ Total Assets	6,43	-0,57	7,00	7,15	6,57
Leverage Ratio	7,00	+0,60	6,40	6,40	6,00
Common Equity Tier 1 Ratio (CET1)*	16,80	+0,50	16,30	16,00	15,50
Tier 1 Ratio (CET1 + AT1)*	19,00	+0,20	18,80	19,50	18,80
Total Capital Ratio (CET1 + AT1 + T2)*	24,20	-1,00	25,20	26,60	26,20
MREL / TLAC Ratio	30,20	+0,90	29,30	28,20	26,80
Net Loans/ Deposits (LTD)	116,46	-9,85	126,30	124,33	123,24
Interbank Ratio	9,19	-18,61	27,80	47,22	53,81
Liquidity Coverage Ratio	193,00	+61,00	132,00	135,00	123,00
Customer Deposits / Total Funding (excl. Derivates)	64,14	-0,45	64,60	65,31	63,63
Net Stable Funding Ratio (NSFR)	128,00	+10,00	118,00	119,00	119,00
Change in % Points					

*Fully loaded figures whenever available.

Due to Rabobank's bank capital and debt structure, the Group's Preferred Senior Unsecured Debt instruments have not been notched down in comparison to the long-term issuer rating. Due to the seniority structure, Rabobank's Non-Preferred Senior Unsecured debt has been notched down by one notch. However, Rabobank's Tier 2 capital rating is rated three notches below the long-term issuer rating based on the bank's capital structure and seniority in accordance with our rating methodology. Additional Tier 1 capital is rated five notches below the long-term issuer rating, reflecting a high bail-in risk in the event of resolution.

Environmental, Social and Governance (ESG) Score Card

Rabobank has one significant and two moderate ESG rating drivers

• Corporate Governance is identified as a highly significant rating driver. The relevance for the credit rating results from the impact of the corporate governance factor on all other ESG factors and the overall well-being of the bank. This sub-factor is rated positive due to Rabobank's sound track record, its stable business model and the already implemented diverse ESG related policies.

• Corporate Behaviour and Green Financing / Promoting are identified as moderate rating driver. While Green Financing / Promoting is rated positive due to significant ESG related financing activities, Corporate Behaviour was down notched to neutral due some money laundering issues.

ESG Score

3,7 / 5

ESG Score Guidance	
> 4,25	Outstanding
>3,5 - 4,25	Above-average
>2,5 - 3,5	Average
>1,75 - 2,5	Substandard
< = 1,75	Poor

Factor	Sub-Factor	Consideration	Relevance Scale 2021	Eval.
Environmental	1.1 Green Financing / Promoting	The sub-factor "Green Financing/Promoting" has a moderate relevance for the credit rating, and is rated positive in terms of the CRA ESG criteria.	3	(+)
	1.2 Exposure to Environ-mental Factors	The sub-factor "Exposure to Environmental Factors" has a low relevance for the credit rating, and is rated neutral in terms of the CRA ESG criteria.	2	( )
	1.3 Resource Efficiency	The sub-factor "Resource Efficiency" has no significant relevance for the credit rating, and is rated positive in terms of the CRA ESG criteria.	1	(+)
Social	2.1 Human Capital	The sub-factor "Human Capital" has low relevance for the credit rating, and is rated positive in terms of the CRA ESG criteria.	2	(+)
	2.2 Social Responsibility	The sub-factor "Social Responsibility" has no significant relevance for the credit rating, and is rated positive in terms of the CRA ESG criteria.	1	(+)
Governance	3.1 Corporate Governance	The sub-factor "Corporate Governance" is highly relevant for the credit rating, and is rated positive in terms of the CRA ESG criteria.	4	(+)
	3.2 Corporate Behaviour	The sub-factor "Corporate Behaviour" has a moderate relevance for the credit rating, and is rated neutral in terms of the CRA ESG criteria.	3	( )
	3.3 Corporate Transparency	The sub-factor "Corporate Transparency" has no significant relevance for the credit rating, and is rated positive in terms of the CRA ESG criteria.	1	(+)

ESG Relevance Scale	
5	Highest Relevance
4	High Relevance
3	Moderate Relevance
2	Low Relevance
1	No significant Relevance

ESG Evaluation Guidance	
(+ +)	Strong positive
(+)	Positive
( )	Neutral
(-)	Negative
(- -)	Strong negativ

The ESG Score is based on the Methodology "Environmental, Social and Governance Score of Banken (Version 1.0)" of Creditreform Rating AG, which is available on our homepage https://creditreform-rating.de/en/about-us/regulatory-requirements.html. In addition, we refer to CRA's position paper "Consodering the Impact of ESG Factors".

Conclusion

Creditreform Rating affirms the rating of Coöperatieve Rabobank U.A. (Group) at 'A+' and increases the outlook from negative to stable.

Overall, Rabobank showed a resilient performance in 2020, despite the Corona pandemic impact. The Group recorded significant loan loss provision in 2020, but will benefit from reversals of impairments, as the Corona pandemic did not materialize as previously expected, which was the main reason for the negative outlook. Thus, Rabobank is likely to regain its pre-Corona level of profitability already in 2021. However, Rabobank is highly dependent on its interest income and struggles with the ongoing low interest rate environment, which imposes a severe challenge for the bank. A further diversification of its income sources would serve the Group well in order to maintain its level of profitably in the long-run. Independent of this, Rabobank benefits from its leading position in the domestic retail banking, the global diversification and its position as one of the leading bank's in the food & agri sector.

Rabobank benefited amid the Corona pandemic from its sound asset quality and its predominantly strong retail business in an economic strong country, which were able to counteract the negative development by large stimulus measures of the governments. The Group even recorded a decrease in the NPL ratio. However, the Group reports significant potential problem loans exposure, which bears a risk once government support measures run out. The capitalization of Rabobank remained at a strong level. However, a decline of the Total Capital ratio is expected following Rabobank's target ratio of about 20%. The Group complies with and exceeds all regulatory capital requirements comfortably. On the liabilities side, the Group recorded large inflows of customer deposits, but started to introduce negative interest rates to counteract the negative effects. In addition, Rabobank benefited from the favorable conditions of the TLTRO III program, which pushed the bank's net interest income as well. Furthermore, the liquidity situation of the Group and the banking sector in general remains satisfactory.
Even though the final impact of the Corona pandemic remains unclear, we assume Rabobank will overcome this challenging environment with its domestic and global franchise and its clear role.

Outlook

We raised the outlook of Rabobank's long-term issuer rating and its bank capital and debt instruments from negative to stable. This reflects our view that the economic downturn due to the Corona pandemic with a strong negative impact on Rabobank did not materialize as expected. Thus, the reason for the negative outlook no longer exists. Instead, we expect Rabobank to regain its pre-Corona level of profitability and benefit from reversal of its loan loss provisions. This expectation is underpinned by the Group's half-year 2021 report, which showed a strong improvement. In addition, various government measures are in place, which will help Rabobank to overcome the remaining Corona crisis impact. In addition, we assume no significant economic worsening due to the Corona pandemic and stable political environment in the banks markets of operations.

Scenario Analysis

Best-case scenario: AA-

Worst-case scenario: BBB+

Please note:

The scenarios are based on information available at the time of the rating. Within the forecast horizon, circumstances may occur that could lead to a change of the rating out of the indicated range.

In a scenario analysis, the bank is able to reach an "AA-" rating in the "best case" scenario and an "BBB+" rating in the "worst case" scenario. The ratings of bank capital and senior unsecured debt would behave similarly based on our rating mechanism. These ratings are especially sensitive to changes in total equity and to the bank capital and debt structure in general.

We might upgrade Rabobank's long-term issuer credit rating and its bank capital and debt instruments if we see that the Group is able to achieve a higher intrinsic profitability while holding its very satisfactory capital ratios at least constant. In addition, a further improvement of Rabobank's Asset quality figures might lead to an upgrade as well.

By contrast, a downgrade of the Group`s long-term issuer credit rating and its bank capital and debt instruments is likely if we see a lasting decline of Rabobank's profitability and / or a reduction of the banks' capital ratios. In addition, we will observe the final impact of the Corona pandemic on Rabobank's asset quality and its business activities in general.

Appendix

Bank ratings

The bank ratings are dependent on a host of quantitative and qualitative factors. An improvement in either sub-category may result in a higher rating score.

LT Issuer / Outlook / Short-Term **A+ / stable / L2**

Bank Capital and Debt Instruments Ratings

The ratings for bank capital and debt instruments are inter alia dependent on subordination and relative size of the instrument class, based on the long-term issuer rating of the bank.

Preferred Senior Unsecured Debt (PSU): **A+**
Non-Preferred Senior Unsecured Debt (NPS): **A**
Tier 2 (T2): **BBB+**
Additional Tier 1 (AT1): **BBB-**

Rating History

Please consult our website www.creditreform-rating.de for additional information regarding the dates of publication.

Figure 7: Rating History

Bank Issuer Rating	Rating Date	Result
LT / Outlook / Short-Term (Initial)	17.05.2017	A / stable / L2
Rating Update	06.11.2019	A+ / stable / L2
Monitoring	24.03.2020	A+ / NEW / L2
Rating Update	26.11.2020	A+ / negative / L2
Rating Update	23.09.2021	A+ / stable / L2
Bank Capital and Debt Instruments	**Rating Date**	**Result**
Senior Unsecured / T2 / AT1 (Initial)	01.02.2018	A- / BBB- / BB+
PSU / NPS / T2 / AT1	06.11.2019	A+ / A / BBB+ / BBB-
PSU / NPS / T2 / AT1	24.03.2020	A+ / A / BBB+ / BBB- (NEW)
PSU / NPS / T2 / AT1	26.11.2020	A+ / A / BBB+ / BBB-
PSU / NPS / T2 / AT1	23.09.2021	A+ / A / BBB+ / BBB-

Regulatory

Creditreform Rating AG was neither commissioned by the rating object nor by any other third party for the rating. The analysis took place on a voluntary basis by Creditreform Rating AG and is to be described in the regulatory sense as an unsolicited rating. The following scheme clarifies the level of participation of the rated entity (rating object):

Unsolicited Credit Rating	
With Rated Entity or Related Third Party Participation	No
With Access to Internal Documents	No
With Access to Management	No

The rating is based on publicly available information and internal evaluation methods for the rated bank. The quantitative analysis is based mainly on the latest annual accounts, interim reports, other investor relations information of the bank, and calculated key figures by eValueRate / CRA.

The information and documents processed met the requirements of the rating system of Creditreform Rating AG as published on the website www.creditreform-rating.de. The rating was carried out on the basis of the rating methodology for bank ratings as (v3.0), the methodology for the rating of bank capital and unsecured debt instruments (v2.0) as well as the rating methodology for Environmental, Social and Governance Score for Banks (v1.0) in conjunction with Creditreform's basic document Rating Criteria and Definitions (v1.3).

The complete presentation of the rating methodologies used by Creditreform Rating AG and the basic document Rating Criteria and Definitions (v1.3) are published on our homepage:

https://www.creditreform-rating.de/en/about-us/regulatory-requirements.html

On 23 September 2021, the rating was presented by the analysts to the rating committee and adopted in a resolution.

The rating result was communicated to Coöperatieve Rabobank U.A. (Group), and the preliminary rating report was made available to the bank. There was no change in the rating score.

The rating is valid until withdrawal and is subject to monitoring from the rating date (see cover page). The rating will be comprehensively reviewed at least once every year. Within this period, the rating can be updated.

In 2011 Creditreform Rating AG was registered within the European Union according to EU Regulation 1060/2009 (CRA-Regulation). Based on the registration Creditreform Rating AG (CRA) is allowed to issue credit ratings within the EU and is bound to comply with the provisions of the CRA-Regulation.

Rating Endorsement Status: The rating of Coöperatieve Rabobank U.A. (Group) was not endorsed by Creditreform Rating AG from a third country as defined in Article 4 (3) of the CRA-Regulation.

Conflict of Interests

No conflicts of interest were identified during the rating process that might influence the analyses and judgements of the rating analysts involved or any other natural person whose services are placed at the disposal or under the control of Creditreform Rating AG and who are directly involved in credit rating activities or approving credit ratings and rating outlooks.

In case of providing ancillary services to the rated entity, CRA will disclose all ancillary services in the credit rating report.

Rules on the Presentation of Credit Ratings and Rating Outlooks

The approval of credit ratings and rating outlooks follows our internal policies and procedures. In line with our policy "Rating Committee," all credit ratings and rating outlooks are approved by a rating committee based on the principle of unanimity.

To prepare this credit rating, CRA has used following substantially material sources:

1. Aggregated data base by eValueRate

2. Annual Report and interim reports

3. Investors relations information and other publications

4. Website of the rated bank

5. Public and internal market analyses

6. Internet research

There are no other attributes and limitations of the credit rating or rating outlook other than displayed on the CRA website. Furthermore CRA considers satisfactory the quality and extent of information available on the rated entity. In regard to the rated entity Creditreform Rating AG regarded available historical data as sufficient.

Between the disclosure of the credit rating to the rated entity and the public disclosure no amendments were made to the credit rating.

The "Basic data" information card indicates the principal methodology or version of methodology that was used in determining the rating, with a reference to its comprehensive description.

In case where the credit rating is based on more than one methodology or where reference only to the principal methodology might cause investors to overlook other important aspects of the credit rating, including any significant adjustments and deviations, Creditreform Rating AG explains this fact in the credit rating and indicates how the different methodologies or these other aspects are taken into account in the credit rating. This information is integrated in the credit rating report.

The meaning of each rating category, the definition of default or recovery and any appropriate risk warning, including a sensitivity analysis of the relevant key rating assumptions, such as mathematical or correlation assumptions, accompanied by worst-case scenario credit ratings as well as best-case scenario credit ratings are explained in mentioned methodologies and / or in the credit rating report.

The date at which the credit rating was released for distribution for the first time and when it was last updated including any rating outlooks is indicated clearly and prominently in the "Basic data" card as a "Rating action"; first release is indicated as "initial rating", other updates are indicated as an "update", "upgrade or downgrade", "not rated", "confirmed", "selective default" or "default".

In the case of a rating outlook, the time horizon is provided during which a change in the credit rating is expected. This information is available within „Basic data" information card.

In accordance to Article 11 (2) EU-Regulation (EC) No 1060/2009 registered or certified credit rating agency shall make available in a central repository established by ESMA information on its historical performance data, including the ratings transition frequency, and information about credit ratings issued in the past and on their changes. Requested data are available at the ESMA website: https://cerep.esma.europa.eu/cerep-web/statistics/defaults.xhtml.

An explanatory statement of the meaning of Creditreform's default rates are available in the credit rating methodologies disclosed on the website.

Disclaimer

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