A+u
stable

Rating-Committee: 02.09.2016

Strengths/Opportunities:

- Strong domestic market position
- Deep ties to local customers
- Moderate risk profile
- New governmental structure strengthening the Bank's adaptability on supervisory requirements
- Clearly defined and consistent strategy
- Robust capital position
- Well diversified funding

Weaknesses/Threats:

- Sustained historically low interest rate levels with adverse impact on profitability
- Ongoing pressure to comply with requirements such as SREP, MREL and TLAC
- Increased competition owing to digitalisation and new market entries such as FinTechs
- Earnings affected by restructuring costs

Financial data:

(EUR million)	2015	2014
Gross profit*	11,564	12,029
Operating profit before taxation**	2,502	2,350
Net income	2,214	1,842
Total assets	670,373	681,086
CET1 capital ratio	13.5 %	13.6 %
Total capital ratio	23.2 %	21.3 %

* According to GBB-Rating's calculations
**Without fair value changes in own credit risk

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Coöperatieve Rabobank U.A., Netherlands
Rating result

Based on the information available at the date of the rating issuance, GBB-Rating assigns an unsolicited rating of A+u, stable outlook, to Coöperatieve Rabobank U.A., Utrecht, Netherlands.

By January 2016 all 106 local cooperative banks merged together with their central institution "Coöperatieve Centrale Raiffeisen-Boerenleenbank BA". Since the merger, they have been working as one legal entity with one balance sheet and one single banking license as "Coöperatieve Rabobank U.A., Netherlands" (hereinafter also referred to as "Rabobank" or "Bank").

Rabobank provides universal banking services with strong franchise in the Dutch retail and SME segments as well as the global food and agriculture sector.

The Dutch banking industry is highly concentrated among a few major players which dominate the market. The five largest banks have a combined share of over 85 % of banking assets. Rabobank is one of the largest banks by assets, ranking behind ING and followed by ABN AMRO. Rabobank's strategy is based on three core objectives: Excellent customer focus, increased flexibility and reduction of the balance sheet as well as performance improvement.

The merger could affect control functions, though we expect this impact to be only temporary. Based on its strong market position, the strategic framework in addition to the merger is an adequate response to increasing market pressure and will further strengthen the banks flexibility and competitiveness.

The earnings position assessed on the basis of 2015 is adequate.

Rabobank has been assigned to the cluster credit and counterparty credit risk (CRR).

The net interest income of EUR 9,139 million (2014: EUR 9,118 million) is the main source of earnings and remains at the previous year's level. Slightly decreased interest expenses compensated lower interest income. Net fee and commission income was EUR 1,892 million and approximately remains at the prior year level (EUR 1,879 million) as well. Due to the recovery of the Dutch economy and the strong Dutch housing market, loan impairment charges declined to a significantly lower scale than in previous years and amounts to EUR 1,033 million, which is also the main driver for the improved net profit of EUR 2,214 million (2014: EUR 1,842 million).

Summary:

	Rating
Financial profile	strong
- Long-term earnings position	adequate
- Sustained capital position	strong
Business profile	strong
- Strategy and market	strong
- Risk profile	adequate
- Capitalisation potential	strong

(strong > adequate > acceptable > deficient > problematic > insufficient)

Rating history:

Rating	Outlook	Date
A+$_u$	**stable**	**02.09.2016**

Rating Scale:

Rating	Rating categories
AAA$_u$	highest financial standing
AA+$_u$/AA$_u$/AA-$_u$	very high financial standing
A+$_u$/A$_u$/A-$_u$	high financial standing
BBB+$_u$/BBB$_u$/BBB-$_u$	good financial standing
BB+$_u$/BB$_u$/BB-$_u$	satisfactory financial standing
B+$_u$/B$_u$/B-$_u$	financial standing scarcely adequate
CCC+$_u$/CCC$_u$/CCC-$_u$	financial standing no longer adequate
CC$_u$/C$_u$	inadequate financial standing
D$_u$	moratorium / insolvency proceedings

The first six months of 2016 were affected by exceptional items, such as restructuring costs. Net profit decreased by 39 % to EUR 924 million compared to the same period in 2015 and return on invested capital only reached 5 % (end 2015: 6 %), however ordinary business remains stable. Taking these exceptional items into account, cost-income-ratio including regulatory levies improved to 62.7 % compared to 63.5 % of year end 2015.

Furthermore efficiency measures taken by the Bank show initial positive results. As compared to last year's period, staff costs decreased by 6 % to EUR 2.264 million and the Bank is making good progress to reduce total assets and its risk exposure. The reorganisation and the efficiency measures will not immediately deliver maximum effects.

With a current (June 2016) common equity tier 1 capital ratio and a total capital ratio of 13.4 % and 23.5 %, respectively, Rabobank has solid capital ratios as well as a good risk bearing capacity.

The sustainable long-term earnings allow capitalisation to steadily improve.

Arising from Bank's focus to lending business, credit risk is the main risk factor. Nevertheless, credit risk is of limited evidence of risk due to a diversified, solid portfolio. Market risks remained low and are well within the internal limits.
Based on the information available, the risk management systems are in accordance with international banking standards and also in line with the complexity of the group's business model.

In accordance with the robust long term performance, the outlook is considered as stable.

Rating drivers

The rating could benefit from further improvements of the bank's profitability according to its strategic targets.
Downward pressure could arise mainly from decreasing earnings due to increased competition, higher than expected restructuring costs or significant deterioration in market conditions. Further effects from the implementation of the SME interest rate derivatives recovery framework remain to be seen (provision of EUR 514 million in the first half of 2016).

Regulatory disclosure requirements

Name and function of the analysts:

- Martin Anspach, Lead Rating Analyst, GBB-Rating, Cologne
- Michel Bauch, Rating Analyst, GBB-Rating, Cologne

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Members of the Rating Committee:

- Sebastian Podporowski, Certified Public Accountant
- Manfred Kühnle, Certified Public Accountant
- Bernd Bretschneider, Managing Director GBB-Rating, Köln

Date	Rating Committee	Notification	Issue
▪ First rating	02.09.2016	05.09.2016	19.09.2016

Validity:

- Rating: 12 months
- Outlook: 24 months

Subsequent rating changes after notification to client:

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Major sources of information for the rating:

- Annual report 2015
- Publicly available information

Statement about the quality of information available (including potential restrictions):

- The quality and extent of information were suitable to obtain a comprehensive picture of the bank and to assign an objective, transparent and professional credit rating

Applicable rating methodology, rating type and release:

- Unsolicited rating without participation of the rated company
- Methodology for Rating Banks and Building Societies (Version 3.0.02) – cluster credit and counterparty credit risk (CRR)
- GBB-Rating, Policy on Performing and Issuing Unsolicited Credit Ratings, 04-2016
- www.gbb-rating.eu/en/presse/eu-veroeffentlichungen/Pages/default.aspx

Meaning of the rating category:

- www.gbb-rating.eu/en/ratings/ratingskala/Pages/default.aspx

Business relationship:

- There is no further business relationship

Legal remarks

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Future events are uncertain. Ratings are based on predictions of these and thus inevitably rely upon estimates. Therefore they solely represent statements of opinion rather than statements of fact or investment advice.

Credit ratings are performed with proficiency and due professional care. Ratings are based on publicly available information and possibly the information provided by the rated company. This information is used in reaching an opinion about the future viability as well as the strengths and weaknesses of the rated company as of the date of rating issuance.