



A+_u
stable

Rating-Committee: 15.09.2017

Strengths/Opportunities:

- Strong domestic market position
- Strong financial profile with solid capital ratios and a strong long-term earnings position
- Moderate risk profile
- Clearly defined and consistent strategy
- Strong bail-in buffer with regard to MREL requirements
- Cooperation with European banks (e.g. block-chain technologies)

Weaknesses/Threats:

- Dependency on the Dutch home market as well as on the agricultural sector
- Ongoing low interest rate environment
- Increased competition owing to digitalization and new market entries such as Fintechs

Financial data:

Figures (EUR million)	2016	2015
Income	12,805	13,014
Operating result*	2,718	2,502
Net Income	2,024	2,214
Total assets	662,593	678,827
Common equity Tier 1 ratio	14.0%	13.5%
Total capital ratio	25.0%	23.2%

*) after impairments and other appraisable modifications

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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 affirms the unsolicited rating of A+_u, stable outlook, to Coöperatieve Rabobank U.A., Netherlands (hereinafter also referred to as Rabobank or Bank).

Since the merger of the local cooperative banks with the central institution, which was completed by January 2016, Rabobank has been working as one legal entity with one balance sheet and one single banking license in a new cooperative structure.

Financial performance in 2016 was characterized by the restructuring as well as an additional provision for compensating commercial customers with an interest derivatives contract. Overall, only slightly decreased income together with a significant decrease in impairment charges led to an adequate operating income and a net profit of € 2,024 million (2015: € 2,214 million). Excluding exceptional items, the underlying profit has been increased.

The first half of 2017 shows a continuous positive development, among other things, due to the significant drop in operating expenses. Therefore, the large restructuring program is proving effective.

With a current (June 2017) common equity tier 1 capital ratio and a total capital ratio of 15.0 % and 25.5 %, respectively, Rabobank has solid capital ratios as well as a strong risk bearing capacity.

The Dutch banking industry is highly concentrated among a few major players which dominate the market. Regarding total assets, Rabobank is the second largest bank in the Netherlands, behind ING and followed by ABN AMRO. Holding a strong market position, Rabobank provides universal banking services with robust franchise in the Dutch retail and SME segments. With its roots in the agribusiness, the Bank is also focused on clients in the food and agriculture sector in and beyond the Netherlands.

In addition to its strong market position, Rabobank focuses on operational efficiency alongside with a high customer satisfaction. To achieve its goal, Rabobank provides a powerful franchise and has increased the level of automation and digitalization. The Bank has also reduced its balance sheet making it more flexible in order to be prepared for new regulatory requirements. With regard to requirements on MREL, the Bank is well on track.

Summary:

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

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

Rating history:

Rating	Outlook	Date
A+ _u	stable	15.09.2017
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

Based on the available information, the risk management systems are considered as adequate and in line with the Group's business model and risk structure. Credit risk is the main risk factor due to the Bank's focus on lending business. The geographic concentration of the loan portfolio reflects the focus on the Bank's home market. Nevertheless, there is limited evidence indicating any credit risk; this is due to a diversified, solid portfolio and is favoured by the ongoing flourishing Dutch economy as well as the strong development in the housing market. Overall, risks remains low and are well within internal limits.

Effects from the new IFRS 9 impairment calculation are expected to be in a clearly manageable scope having only a minor impact on the capital ratio.

Rating drivers

The most important rating driver which could strengthen the rating or even lead to a rating upgrade is still the stable and gradual improvement of the Bank's profitability, based on a successful development of the strategy implementation.

Downward pressure could arise mainly from decreasing earnings resulting from growing competition, increasing allowances or substantial deterioration in market conditions.

Rating report as at 15.09.2017

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
- Oliver Mohr, Managing Director GBB-Rating, Köln

Date	Rating Committee	Notification	Issue
▪ First rating	02.09.2016	05.09.2016	19.09.2016
▪ Current rating	15.09.2017	18.09.2017	22.09.2017

Validity:

- Rating: 12 months
- Outlook: 24 months

Subsequent rating changes after notification to client:

- none

Major sources of information for the rating:

- Annual report 2016
- 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 3.0.03) – cluster credit and counterparty credit risk (CRR)
- GBB-Rating, Policy on Performing and Issuing Unsolicited Credit Ratings, 08-2017
- 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 business relationship with Coöperatieve Rabobank U.A., Netherlands

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.