



A+_u
stable

Rating Committee: 09/05/2018

Coöperatieve Rabobank U.A., Netherlands

Rating result

Strengths/Opportunities:

- Strong domestic market position
- Convincing sustainable capital ratios and bail-in buffer
- Sound long-term earnings position
- Clearly defined strategy and consistent implementation
- Moderate risk profile

Weaknesses/Threats:

- Bubbles could arise due to sharp increases in housing prices in some large cities
- Increased competition due to digitalization and new market entries such as fintechs
- Several unquantifiable legal risks could negatively affect Rabobank's earnings position

Financial data:

(EUR m)	2017	2016
Income	12,001	12,805
Operating result	3,632	2,718
Net income	2,674	2,024
Total assets	602,991	662,593
CET1 capital ratio	15.8 %	14.0 %
Total capital ratio	26.2 %	25.0 %
Leverage Ratio	6.0 %	5.5 %
LCR	125 %	130 %
NSFR	119 %	121 %

Analysts:

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Based on the information available at the date of the rating, the financial standing of Coöperatieve Rabobank U.A. (hereinafter also referred to as "Rabobank" or "bank") is evaluated as high. On the date of the rating committee, GBB-Rating assigns an unsolicited rating of A+_u, with a stable outlook.

The financial profile, based on the analysis of the consolidated financial statements, improved slightly and remains assessed as strong. The improvement is due to an enhanced earnings position. As interest income remained nearly stable, the result from categories of financial instruments as well as other net operating income decreased. This could neither be compensated by the slightly increasing net fee and commission income nor by impairment losses on goodwill and investments in associates, which dropped to TEUR 0. As a result, the adjusted gross profit declined by 1 %. Reduced administration costs (mainly due to lower other administrative expenses) and loan impairment charges, which developed from expenses in the prior year to seemingly significant gains in 2017, led to a strong surge of gross result at year-end. This overall positive development combined with declining total assets and risk weighted assets resulted in a significantly improved earnings position according to GBB's calculation method. The results of the first half of 2018 indicate further improvements of the earnings position in 2018.

In 2017, Rabobank raised its CET1 capital, which could not fully compensate for decreasing additional Tier 1 and Tier 2 capital. However, greater reductions were made to risk weighted assets, so that the transitional CET1 ratio rose by 1.8 percentage points to 15.8 % and the total capital ratio increased by 1.2 percentage points to 26.2 %: hence, not only capital ratios but also capital quality improved. The fully loaded CET1 ratio improved by 2.0 percentage points to 15.5 % at the same time.

Rabobank defined two strategic focus areas: Banking for the Netherlands and banking for food. In contrast to banking for the Netherlands, the bank aims to be an internationally leading bank in banking for food. This vision is specified in four strategic goals, which are underlain with more detailed and quantifiable targets. Derived from this strategy, the bank operates in the segments retail banking, wholesale banking and international rural and retail banking. Based on its strong market position, Rabobank reorganizes its structure to be

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	09/05/2018
A+ _u	stable	09/15/2017
A+ _u	stable	09/02/2016

Rating scale:

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

more efficient and to maintain its market position.

Rabobank's capitalization potential is assessed as strong, due to its convincing internal financing power as well as its access to the capital market. In addition to the capitalization potential, the bank prevents a sharp increase of required capital with a conservative capital policy, which includes high capital buffers.

A declining NPL ratio as well as decreasing loan impairment charges (net reversals) indicate a sound quality of the credit portfolio. Furthermore, based on the available information, there are no significant concentration risks identifiable. While market price risks are of low importance and inconspicuous, there are latent operational risks due to restructuring measures which are still going on. Regarding funding and liquidity Rabobank has a sound position which will be improved by reducing wholesale funding.

Rating drivers

Drivers which could stabilize or even improve the rating are fully implemented restructuring measures, which would further reduce costs and therefore increase Rabobank's earnings position as well as its profitability.

On the contrary, the bank's rating could be negatively affected by a deteriorating credit quality, which would lead to higher loan impairment charges and, as a consequence, a worse risk profile. This would negatively affect Rabobank's earnings position.

Regulatory disclosure requirements

Name and function of the analysts:

- Marc Pähler, Lead Rating Analyst, GBB-Rating, Cologne
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Members of the Rating Committee:

- Volker Jindra, Head of Team, GBB-Rating, Cologne
- Klaus Foro, Head of Team, GBB-Rating, Cologne
- Alexander Gouverneur, Head of Team, GBB-Rating, Cologne
- Stefan Groos, Head of Team, GBB-Rating, Cologne

Date	Rating Committee	Notification	Issue
▪ First rating	09/02/2016	09/05/2016	09/19/2016
▪ Current rating	09/05/2018	09/07/2018	09/20/2018

Validity:

- Rating: 12 months
- Outlook: 24 months

Subsequent rating changes after notification to client:

- none

Major sources of information for the rating:

- Annual report as at 12/31/2017
- Publicly available information

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

- The quality and extent of information (interviews and documents) 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
- Methodology for Rating 3.0.03 Banks – credit and counterparty credit risk (CCR)
- GBB-Rating, Policy on Performing and Issuing Unsolicited Credit Ratings, 07-2018
- www.gbb-rating.eu/de/presse/eu-veroeffentlichungen/Seiten/default.aspx

Meaning of the rating category:

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

Business relationship:

- Besides the rating mandate there is no further business relationship

Legal remarks

GBB-Rating Gesellschaft für Bonitätsbeurteilung mbH does not make any guarantees regarding the accuracy, completeness or timeliness of the present rating or the data, values and other information presented (including ERI) or the eligibility of this information for specific purposes nor for losses arising from the use of the information or in confidence in the information. The current rating report is not an investment recommendation.

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 the data and information provided by the applicant. 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.

GBB-Rating puts focus on sustainability and is a signatory of the UN Global Compact since 2018. We support the 10 principles of the UN Global Compact relating to human rights, labor standards, the environment and anti-corruption.



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