MOODY'S INVESTORS SERVICE

Credit Opinion: Rabobank

Global Credit Research - 11 Feb 2016

Amsterdam, Netherlands

Ratings

Category	Moody's Rating
Outlook	Stable
Bank Deposits	Aa2/P-1
Baseline Credit Assessment	a2
Adjusted Baseline Credit Assessment	a2
Counterparty Risk Assessment	Aa1(cr)/P-1(cr)
Issuer Rating	Aa2
Senior Unsecured	Aa2
Subordinate	A3
Pref. Stock Non-cumulative -Fgn Curr	Baa2 (hyb)
Pref. Stock Non-cumulative -Dom Curr	Baa3 (hyb)
Commercial Paper	P-1
Other Short Term -Fgn Curr	(P)P-1
Other Short Term -Dom Curr	(P)P-1
Rabobank Australia Limited	
Outlook	Stable
Bkd Bank Deposits -Dom Curr	Aa2/P-1
Rabobank Curacao N.V.	
Outlook	Stable
Bkd Sr Unsec MTN	(P)Aa2
Bkd Other Short Term	(P)P-1
Rabobank Nederland, Singapore Branch	
Counterparty Risk Assessment	Aa1(cr)/P-1(cr)
Commercial Paper -Dom Curr	P-1

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Key Indicators

Rabobank (Consolidated Financials)[1]

	[2]6-15	[2]12-14	[3]12-13	[3]12-12	[3]12-11	Avg.
Total Assets (EUR million)	636,450.0	637,891.0	638,603.0	699,814.0	730,478.0	[4]-3.4
Total Assets (USD million)	709,136.5	771,882.0	879,957.8	922,628.9	948,266.3	[4]-7.0
Tangible Common Equity (EUR million)	35,940.0	32,160.1	30,348.6	32,320.5	32,276.7	[4]2.7
Tangible Common Equity (USD million)	40,044.6	38,915.5	41,818.6	42,611.1	41,899.9	[4]-1.1
Problem Loans / Gross Loans (%)	4.4	3.4	3.5	2.3	2.1	[5]3.1
Tangible Common Equity / Risk Weighted Assets (%)	16.6	15.2	14.4	14.5	14.4	[6]15.9
Problem Loans / (Tangible Common Equity + Loan Loss Reserve) (%)	46.6	38.4	41.2	30.7	27.6	[5]36.9
Net Interest Margin (%)	1.4	1.4	1.3	1.2	1.3	[5]1.3
PPI / Average RWA (%)	2.0	2.0	0.9	1.8	1.4	[6]2.0

Net Income / Tangible Assets (%)	**0.4**	**0.3**	**0.2**	**0.3**	**0.3**	[5]**0.3**
Cost / Income Ratio (%)	**64.4**	**66.3**	**82.8**	**69.2**	**73.2**	[5]**71.2**
Market Funds / Tangible Banking Assets (%)	**38.3**	**39.4**	**39.1**	**42.8**	**45.5**	[5]**41.0**
Liquid Banking Assets / Tangible Banking Assets (%)	**20.0**	**20.9**	**21.3**	**23.0**	**21.4**	[5]**21.3**
Gross loans / Due to customers (%)	**145.1**	**144.5**	**142.4**	**146.3**	**142.8**	[5]**144.2**

Source: Moody's

[1] All figures and ratios are adjusted using Moody's standard adjustments [2] Basel III - fully-loaded or transitional phase-in; IFRS [3] Basel II; IFRS [4] Compound Annual Growth Rate based on IFRS reporting periods [5] IFRS reporting periods have been used for average calculation [6] Basel III - fully-loaded or transitional phase-in & IFRS reporting periods have been used for average calculation

Opinion

SUMMARY RATING RATIONALE

We assign a Aa2 rating, with a stable outlook, to Rabobank Nederland's (Rabobank) long-term senior unsecured debt and deposit ratings. The bank's short-term senior unsecured debt and deposit ratings are Prime-1. The bank's Baseline Credit Assessment (BCA) and adjusted BCA are a2. We assign a Counterparty Risk Assessment (CR Assessment) of Aa1(cr) / Prime-1(cr) to Rabobank.

Rabobank's Aa2 long-term debt and deposit ratings result from (1) the bank's standalone BCA of a2, (2) the application of Moody's Advanced Loss Given Failure (LGF) analysis, resulting in a two-notch uplift from the a2 BCA, and (3) government support uplift of one notch, reflecting a moderate probability of support.

The downgrade of the BCA to a2, which occurred in May 2015, reflected the deterioration of the bank's relative creditworthiness versus peers after a period of lacklustre operating results. Nonetheless, the bank's BCA is supported by its conservative business profile, as well as its strong financial fundamentals. The bank's leading position in the Dutch banking sector and strong position in the agribusiness sector worldwide, combined with its focus on domestic retail banking, are the primary drivers for a rather stable earnings generation capacity, albeit at a low level. The BCA is also underpinned by the bank's high capital levels, which provide comfortable loss-absorption capacity, as well as its good asset quality overall. Nevertheless, Rabobank's BCA is constrained by its high reliance on wholesale funding, but this credit weakness is mitigated by sizeable liquidity buffers and the lengthening of the duration of debt issued by Rabobank in recent years.

Nonetheless, the bank's financial results have been impacted by elevated loan loss provisions, notably related to Dutch commercial real estate (CRE), and a number of large extraordinary items since 2012. Rabobank has reported improved underlying results since 2014 on the back of lower operating expenses and a declining cost of risk.

RATING DRIVERS

- Leading market positions in the Netherlands offer pricing power and stable earnings generation capacity

- New governance structure aiming at making the co-operative group more flexible and efficient

- Rebounding profitability after period of lacklustre results

- Structural reliance on wholesale funding is mitigated by ample liquidity reserves and term structure of funding

- Capitalisation levels provide sound loss absorption capacity

- Solid asset quality, yet vulnerable to deterioration in the domestic housing and commercial real estate markets

- Rabobank's BCA is supported by its Strong+ Macro Profile

- Large volume of subordinated debt and hybrid debt resulting in debt and deposit ratings benefiting from a very low loss-given-failure rate and two-notch uplift from the BCA

- Moderate probability of government support resulting in one-notch uplift from BCA for senior unsecured debt and deposits

RATING OUTLOOK

The outlook on Rabobank's long-term senior unsecured debt and deposit ratings is stable.

WHAT COULD CHANGE THE RATING UP

Rabobank's ratings are at the high end of banks' ratings globally, reflecting our view of the strong credit profile of the institution. An upgrade of the BCA and long-term ratings is remote in view of (i) its large reliance on wholesale funding; (ii) a relatively weak efficiency (albeit improving); and (iii) a still challenging operating environment which continues to put pressure on asset quality.

WHAT COULD CHANGE THE RATING DOWN

The BCA could notably be lowered if (1) renewed weakness in the Dutch real estate sector or rising deficiencies in the bank's corporate loan portfolio impacted asset quality; (2) the bank were to rely more on short-term wholesale funding or its liquidity buffer decreased; and/or (3) the bank was unable to restore its currently low profitability levels in line with long-term historical metrics.

Rabobank's long-term debt and deposit ratings would be downgraded as a consequence of (1) a downgrade of the BCA; and/or (2) increased loss-given-failure for senior debt and deposit holders due to lower levels of subordinated debt or a lower level of pari passu debt benefiting these creditors.

DETAILED RATING CONSIDERATIONS

LEADING MARKET POSITIONS IN THE NETHERLANDS OFFER PRICING POWER AND STABLE EARNINGS GENERATION CAPACITY

Rabobank holds a leading position in domestic retail banking, which represented 58% of its revenues in June 2015. The bank also operates strong international activities focusing on the food and agribusiness sector. We consider that Rabobank's franchise is one of the most robust amongst Dutch peers, based on the bank's strong integration in the local community and extensive experience in specialty areas (e.g. the food and agribusiness sector); this, in turn, results in strong pricing power and steady earnings generation capacity.

In the Netherlands, Rabobank's operations are carried out by a large network of local Rabobanks and are supported by the central wholesale banking capacities. The group's market shares range from 22% to 41%, both in the retail and corporate areas, whilst it reaches 85% in the domestic food and agribusiness banking segments (market shares as of June 2015).

International operations are also an area of strategic importance to Rabobank, both as a way to support Dutch clients operating internationally via the foreign branch network, and to capitalise on its knowledge and experience in the food and agribusiness sector with clients outside the Netherlands. This strategy is being pursued through its "wholesale banking and international rural and retail banking" entities in a selected number of countries. These include, the United States, Brazil and Chile, accounting altogether for around 9.8% of Rabobank's private sector loan book; Europe outside the Netherlands representing 7% of the bank's total loans; and Australia and New Zealand, representing together 4.2% of the bank's total loans.

Some of Rabobank's other operations introduce a higher level of earnings volatility relative to the bank's traditional retail banking activities. These include insurance (via a 29% stake in the Achmea group (unrated)) and property (Bouwfonds IM, FGH Bank and BPD Europe B.V.).

NEW GOVERNANCE STRUCTURE AIMING AT MAKING THE CO-OPERATIVE GROUP MORE FLEXIBLE AND EFFICIENT

Rabobank's governance structure changed with effect from 1 January 2016 through the merger of the 106 local Rabobanks and the central body Rabobank Nederland into a single legal entity that will continue to operate as a cooperative network, but under a single banking license. The 106 members of the cooperative network became branch-like entities of the new Rabobank group. The influence of Rabobank's members, organized in local members' councils, will remain strong as they will have direct representation in the highest echelon of the group, the General Members' Council. The change in structure will allow Rabobank to preserve its historically important role in containing the risks taken by the bank while allowing to reduce structural costs, to adapt more efficiently and swiftly to future regulatory changes and to manage the capital allocation more easily within the group.

Elevated loan loss provisions linked to real estate lessors and real estate development in recent years showed that the cooperative organisation did not immunise the bank against risk concentrations in the Netherlands and revealed risk management deficiencies. The investigations on LIBOR/EURIBOR manipulation also uncovered compliance shortcomings, which was unexpected at Rabobank and has led to remediation measures. In light of the aforementioned developments, we believe that the new governance structure will allow the bank to be more rapid in answering risk management issues. It will also enhance the group's flexibility to respond to regulatory challenges and improve the bank's efficiency.

In addition, Rabobank announced a "Strategic Framework" for 2016-2020 in December 2015, which includes a multiple-route balance sheet reduction of EUR150 billion in the base case scenario. As a result of this plan, the bank's balance sheet would come below EUR530 billion from EUR680 billion at year-end 2014. Rabobank targets an improvement in efficiency of more than EUR2.1 billion by 2019. The bank's framework comes in anticipation of developing Basel IV capital regulations, which propose changes in the calculation of the bank's regulatory risk-weights, and aims at enabling the bank to achieve a CET1 ratio of 14%-17% by 2020. We view this plan as a positive step to enhance the bank's profitability and capital ratios, as Rabobank has around 47% of its private-sector loan portfolio made up of residential mortgage loans which may be particularly hit by the new regulations.

REBOUNDING PROFITABILITY AFTER PERIOD OF LACKLUSTRE RESULTS

As a co-operative group, Rabobank does not operate with the same high profitability objectives and constraints as joint-stock companies, but is more focussed on generating steadier albeit modest profits over time. Consequently, the group has maintained a more conservative policy than some of its competitors. Rabobank's business lines generally have a good degree of predictability and the bank's low earnings volatility over a multi-year time frame supports this view. This feature offsets the somewhat lower profitability levels. Nonetheless, the bank has posted a series of lacklustre results since 2012, impacted by elevated loan loss charges linked to Dutch CRE exposures and by a number of non-recurring charges. However, we note that the bank's profitability rebounded sharply in the first six months of 2015.

Rabobank's net banking revenues remained broadly stable in the first six months of 2015 at EUR 6,327 million (-1% versus the first six months of 2014), notably due to a decrease of 1% of net interest income. Fee and commission income increased by 3% during the period, due to increased payment transaction fees at the local Rabobanks and to higher fees at the leasing business (DLL). Rabobank was able to enhance the bank's efficiency through good progress on its restructuring plan, despite weak revenue trends and negative currency impacts at the Wholesale, Rural & Retail business and DLL. Operating expenses fell by 3% to EUR 3,833 million in the first half of 2015, essentially due to a 3% decline in the number of employees. As a result of these significant efforts, the cost-to-income ratio decreased to 60.6% in June 2015 (2014: 62.7%), a ratio closer to that of similarly-rated peers. The bank targets performance improvements of EUR2.1 billion by 2020 in its Strategic Framework, leading to a cost-to-income ratio of 50%. We expect net interest income to be negatively impacted by the low interest rate environment in the near future. Fee and commission income is also likely to be negatively impacted by the current slowdown in the global economy and the increased financial market volatility. We believe that operating expenses will continue to decrease as Rabobank proceeds with its restructuring plan until 2016.

Rabobank's loan loss provisions represented 16 bps of average gross loans in H1 2015 (2014: 57 bps), a level which is much lower than the long-run historical average of around 36 bps. This substantial drop in cost of risk is due essentially to a sharp decline of loan loss provisions in domestic CRE and domestic business lending due to further recovery in the Dutch economy and the Dutch real estate sector. Impairment charges on the domestic residential mortgage portfolio were significantly impacted upwards during the first six months of 2015 by two non-recurring adjustments: a change in the capital model for residential mortgages and a reclassification of residential mortgages of entrepreneurs from the business domain to the retail domain. On a normalized basis, the Wholesale and International Retail business produced over half of the bank's impairment charges for the first six months of 2015, while the domestic SMEs and domestic retail loans produced 16% and 14% respectively. For the same period, loan loss provisions on the real estate portfolio represented only 9% of the normalized impairment charges, but this sector remains under pressure due to structural problems in the Dutch CRE market and further provisions are expected in the second half of 2015. Going forward, we expect loan loss provisions as a percentage of pre-provision income to approach a level closer to the long-term historical average of one third from close to 60% in recent years.

Our baa2 assigned score for Profitability reflects the historical stability and quality of earnings of the bank, as well as the expected rebound of profitability going forward. This score is adjusted from the ba2 score derived from the lacklustre earnings of the last three years.

STRUCTURAL RELIANCE ON WHOLESALE FUNDING IS MITIGATED BY AMPLE LIQUIDITY RESERVES AND TERM STRUCTURE OF FUNDING

Despite its high structural reliance on wholesale funding, Rabobank's liquidity is robust and reflects its conservative asset and liability management and high liquidity buffers.

At end-June 2015, the group disclosed a loan-to-deposit ratio of 132% (year-end 2014: 133%). Despite some improvement, the excess of loans over deposit funding remains sizeable at EUR139 billion at end-June 2015 (year-end 2014: EUR136 billion) and continues to create a structural reliance on wholesale funding. In addition, a portion (35%) of the deposits is derived from international institutional and corporate investors, which may prove less stable than retail deposits.

Nevertheless, we believe that Rabobank's reliance on wholesale funding, which is a feature of the Dutch banking system, is largely mitigated by its conservative asset and liability management, based on an adequate duration of the bank's funding and a substantial liquidity portfolio. Of the EUR212 billion gross wholesale funding outstanding at end-June 2015, approximately EUR118 billion was long-term debt (excluding the portion of long-term debt with residual maturity of less than one year). Out of these, long-term debt worth EUR65 billion had residual maturities of five years or more. As of end-June 2015, the bank's liquidity buffer, consisting of cash, high-quality government bonds and other central bank eligible assets amounted to EUR125 billion, representing around 171% of the bank's net interbank borrowings and short-term debt securities (including the portion of long-term debt, the residual maturity of which is less than one year), resulting in a very robust liquidity profile.

The Basel 3 liquidity coverage ratio (LCR) and net stable funding ratio (NSFR) of Rabobank stood at 130% and 115% respectively at end-June 2015.

The assigned combined liquidity score of a3 is the result of significant upward adjustments to account for the favourable term structure of market funding, the quality of liquid assets and the low asset encumbrance.

CAPITALISATION LEVELS PROVIDE SOUND LOSS ABSORPTION CAPACITY

We consider Rabobank's strong loss absorption capacity to be a key credit strength. At end-June 2015, Rabobank's Basel 3 Common Equity Tier 1 (CET1) ratio and Tier 1 ratio were 13.2% and 16.1% respectively, which provides good resilience to our stress tests and comfortable room above the minimum required CET1 ratio of 9.5% given by the European Central Bank through the Supervisory Review and Evaluation Process (SREP) plus the 0.75% systemic risk buffer imposed by the Dutch central bank for 2016.

The bank's Tier 2 capital remained stable at 5.3% of risk-weighted assets at end-June 2015 (2014: 5.3%; 2013: 3.5%), bringing the group's capital ratio to 21.3% as of the same date. Rabobank intends to further increase the level of loss absorption capital and subordinated `bail-in-able' debt to protect the senior unsecured bondholders. The strategy of the bank consists in progressively increasing the share of retained earnings and Tier 2 debt (or other forms of subordinated debt) in its capital mix over the long term, targeting a total capital ratio of at least 25%. In its Strategic Framework, Rabobank targets a CET1 ratio of 14-17% and a total capital ratio of 25-30% by 2020.

Rabobank disclosed a buffer of equity and subordinated debt of EUR54.5 billion which protects senior unsecured debt at end-June 2015, equivalent to 25% of risk-weighted assets. This bail-in buffer, which is Rabobank's own measurement of bail-in-able cushion, looks higher than the Financial Stability Board's (FSB) Total Loss-Absorbing Capital (TLAC) because it is based on gross numbers (it does not include any regulatory deductions to CET1 and/or grandfathering of old-style Tier 1 instruments). Rabobank has not been put on the list of Global Systemically Important Bank (G-SIB) by the FSB and therefore is not expected to have to comply with TLAC requirements. Nonetheless, we expect similar measures to apply to Domestic-SIB in the future. Rabobank will have to comply with a systemic risk buffer of 3%, phased-in until 2019 (0.75% per annum). In addition, Rabobank has to comply with the EU's Minimum Required Eligible Liabilities (MREL).

Our assigned capital score of aa2 reflects the bank's strong ratios and our belief that the bank's capitalisation is a strength.

SOLID ASSET QUALITY, YET VULNERABLE TO DETERIORATION IN THE DOMESTIC HOUSING AND COMMERCIAL REAL ESTATE MARKETS

We view Rabobank's asset quality as sound because of (1) its rather conservative underwriting and investment policy; and (2) its very limited exposure to countries in riskier parts of the euro area. Nevertheless, with 73% of its private sector lending in the Netherlands, Rabobank is particularly exposed to a deterioration of the Dutch economy and more particularly of its real estate sector. In 2012, 2013 and 2014, the bulk of the deterioration in asset quality came from the CRE portfolio:

- Within the domestic retail banking segment (with a loan portfolio of EUR287 billion or 66% of Rabobank's total private-sector lending at end-June 2015), the impairment charges dropped significantly in almost all business segments (including the real estate sector as well as lending to greenhouse horticulture) reflecting a recovery of the Dutch economy. The residential mortgage portfolio, which represents a large portion of the segment, continued to perform well, with a credit cost of 5.9 bps at end-June 2015 (2014: 5.4 bps), excluding non-recurring adjustments. Although this market continues to perform well, we continue to consider that its specific features - including very high loan-to-value (LTV) ratios and a proportion of bullet loans of 25% - make it vulnerable in a scenario of a severe deterioration of the economy. Nonetheless, we note that new mortgages now have the statutory obligation to amortise in order to benefit from the tax deductibility of interests.

- The wholesale and international rural & retail banking portfolio rose by 6% during the first six months of 2015 to EUR101 billion (or 23% of Rabobank's total loan book at end-June 2015). Credit costs in this segment have increased to 54 bps in the first half of 2015 (2014: 44 bps), mainly due to an increase in loan loss charges in the wholesale banking business linked to large customers in the Netherlands and Latin America.

- The performance of the leasing portfolio (EUR29 billion or 7% of Rabobank's total loan book at end-June 2015) has improved with credit costs of 28 bps (2014: 43 bps).

- The performance of the real-estate segment continued to improve during the first six months of 2015 with loan impairment charges of 57 bps in June 2015 (2014: 291 bps; 2013: 278bps), below the long-term average of 89 bps. The performance of the Dutch CRE market has significantly improved. The real estate segment loan portfolio accounted for EUR16.3 billion or 3.8% of Rabobank's total loan book at end-June 2015. The decrease in loan impairment charges was the main contributor to the earnings recovery for this segment. Net results turned positive at EUR98 million for H1 2015, compared to EUR-90 million for the same period in 2014.

Our assigned Asset Risk score of baa1 contributes negatively to the overall assessment of the bank's standalone credit strength.

Overall, our assigned BCA is a2, in line with the our assessment of the bank's Financial Profile.

RABOBANK'S BCA IS SUPPORTED BY ITS STRONG+ MACRO PROFILE

As a primarily domestic bank, Rabobank's operating environment is heavily influenced by the Netherlands and its Macro Profile is thus aligned with that of the Netherlands at Strong+. Dutch banks benefit from operating in a wealthy and developed country with a very high degree of economic, institutional and government financial strength as well as very low susceptibility to event risk. The main risks to the banking sector stem from (i) households, which have high leverage due to substantial amount of mortgage debt that exceeds 100% of GDP although they also have substantial level of savings that is locked in their pension and (ii) the SME sector which has suffered from a depressed economic environment.

The Dutch banking system is materially reliant on wholesale funding, which Moody's considers a credit weakness. Compared to other European countries, it has a relatively low stock of bank deposits because of the legal regime that requires Dutch households to invest a large portion of their savings in pension funds, some of which is returned to the banking sector in the wholesale markets.

NOTCHING CONSIDERATIONS

LOSS GIVEN FAILURE AND ADDITIONAL NOTCHING

Rabobank is subject to the EU Bank Resolution and Recovery Directive (BRRD), which we consider to be an Operational Resolution Regime. We assume residual tangible common equity of 3% and losses post-failure of 8% of tangible banking assets, a 25% run-off in "junior" wholesale deposits, a 5% run-off in preferred deposits, and assign a 25% probability to deposits being preferred to senior unsecured debt. These assumptions are in keeping with our standard assumptions.

We believe that Rabobank's deposits are likely to face very low loss-given-failure, due to the loss absorption provided by subordinated debt and, potentially, by senior unsecured debt should deposits be treated preferentially in a resolution, as well as the substantial volume of deposits themselves. This is supported by the combination of the substantial deposit volume (we estimate junior deposits to make up about 11% of the bank's tangible banking assets in failure), and the subordination of 6.1% of tangible banking assets (and about 25% in the event of deposits being preferred to senior unsecured debt). This results in a Preliminary Rating Assessment (PRA) two notches above the BCA.

We believe that Rabobank's senior unsecured debt is also likely to face very low loss-given-failure. This is supported by the combination of senior unsecured debt's own volume (about 21% of the group's tangible banking assets in failure, or 32% including junior deposits), and the amount of subordination (including subordinated debt, low-trigger/old style hybrid debt and residual equity) of about 6%. This results in a Preliminary Rating Assessment (PRA) two notches above the BCA.

For junior securities issued by Rabobank, our LGF analysis confirms a high level loss-given-failure, given the small volume of debt and limited protection from more subordinated instruments and residual equity. We also incorporate additional notching for junior subordinated and hybrid debt instruments reflecting the coupon features.

GOVERNMENT SUPPORT

The implementation of the BRRD has led us to reconsider the potential for government support to benefit certain creditors. We now expect a moderate probability of government support for deposits and debt, resulting in a one-notch uplift to the PRAs of both the long-term deposits and senior unsecured debt of the bank compared to two notches currently.

For subordinated and other junior securities, we continue to believe that potential government support is low and these ratings do not include any related uplift. Junior securities also include additional downward notching from the BCA reflecting coupon suspension risk ahead of a potential failure.

COUNTERPARTY RISK ASSESSMENT

CR Assessments are opinions of how counterparty obligations are likely to be treated if a bank fails and are distinct from debt and deposit ratings in that they (1) consider only the risk of default rather than both the likelihood of default and the expected financial loss suffered in the event of default and (2) apply to counterparty obligations and contractual commitments rather than debt or deposit instruments. The CR assessment is an opinion of the counterparty risk related to a bank's covered bonds, contractual performance obligations (servicing), derivatives (e.g., swaps), letters of credit, guarantees and liquidity facilities.

The CR Assessment is positioned at Aa1(cr)/Prime-1(cr).

The CR Assessment, prior to government support, is positioned three notches above the Adjusted BCA of a2 (similar to the a2 BCA), based on the cushion against default provided to the senior obligations represented by the CR Assessment by subordinated instruments amounting to 36% of Tangible Banking Assets. The main difference with our Advanced LGF approach used to determine instrument ratings is that the CR Assessment captures the probability of default on certain senior obligations, rather than expected loss, therefore we focus purely on subordination and take no account of the volume of the instrument class.

ABOUT MOODY'S BANK SCORECARD

Our Scorecard is designed to capture, express and explain in summary form our Rating Committee's judgment. When read in conjunction with our research, a fulsome presentation of our judgment is expressed. As a result, the output of our Scorecard may materially differ from that suggested by raw data alone (though it has been calibrated to avoid the frequent need for strong divergence). The Scorecard output and the individual scores are discussed in rating committees and may be adjusted up or down to reflect conditions specific to each rated entity.

Rating Factors

Rabobank

Macro Factors	
Weighted Macro Profile	**Strong +**

Financial Profile						
Factor	**Historic Ratio**	**Macro Adjusted Score**	**Credit Trend**	**Assigned Score**	**Key driver #1**	**Key driver #2**
Solvency						

Asset Risk						
Problem Loans / Gross Loans	4.4%	baa1	←→	baa1	Quality of assets	Sector concentration
Capital						
TCE / RWA	16.6%	aa2	←→	aa2	Risk-weighted capitalisation	
Profitability						
Net Income / Tangible Assets	0.3%	ba2	↑	baa2	Earnings quality	
Combined Solvency Score		a3		a2		
Liquidity						
Funding Structure						
Market Funds / Tangible Banking Assets	39.4%	ba2	←→	baa2	Term structure	Deposit quality
Liquid Resources						
Liquid Banking Assets / Tangible Banking Assets	20.9%	baa1	←→	a1	Quality of liquid assets	Encumbrance
Combined Liquidity Score		baa3		a3		

Financial Profile	**a2**

Qualitative Adjustments	**Adjustment**
Business Diversification	0
Opacity and Complexity	0
Corporate Behavior	0
Total Qualitative Adjustments	**0**

Sovereign or Affiliate constraint	Aaa
Scorecard Calculated BCA range	**a1 - a3**
Assigned BCA	**a2**
Affiliate Support notching	**0**
Adjusted BCA	**a2**

Instrument Class	**Loss Given Failure notching**	**Additional notching**	**Preliminary Rating Assessment**	**Government Support notching**	**Local Currency rating**	**Foreign Currency rating**
Deposits	2	0	aa3	1	Aa2	Aa2
Senior unsecured bank debt	2	0	aa3	1	Aa2	Aa2
Dated subordinated bank debt	-1	0	a3	0	A3	A3
Non-cumulative bank	-1	-2	baa2	0	Baa2(hyb)	Baa2(hyb)

preference shares							

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