MOODY'S INVESTORS SERVICE

Credit Opinion: Rabobank Nederland

Global Credit Research - 20 Apr 2015

Utrecht, Netherlands

Ratings

Category	Moody's Rating
Outlook	Rating(s) Under Review
Bank Deposits	*Aa2/P-1
Baseline Credit Assessment	**a1
Adjusted Baseline Credit Assessment	**a1
Issuer Rating	***Aa2
Senior Unsecured	***Aa2
Subordinate	**A2
Pref. Stock Non-cumulative -Fgn Curr	**Baa1 (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	Rating(s) Under Review
Bkd Bank Deposits -Dom Curr	*Aa2/P-1
Rabobank Curacao N.V.	
Outlook	Rating(s) Under Review
Bkd Sr Unsec MTN	***(P)Aa2
Bkd Other Short Term	(P)P-1
Rabohypotheekbank N.V.	
Outlook	Rating(s) Under Review
Senior Unsecured MTN -Dom Curr	***(P)Aa2

* Rating(s) within this class was/were placed on review on March 17, 2015
** Placed under review for possible downgrade on March 17, 2015
*** Placed under review with direction uncertain on March 17, 2015

Contacts

Analyst	Phone
Guillaume Lucien-Baugas/Paris	33.1.53.30.10.20
Andrea Usai/London	44.20.7772.5454
Nicholas Hill/Paris	33.1.53.30.10.20

Key Indicators

Rabobank Nederland (Consolidated Financials)[1]

	[2]6-14	[3]12-13	[3]12-12	[3]12-11	[3]12-10	Avg.
Total Assets (EUR million)	679,513.0	643,647.0	699,814.0	730,478.0	651,193.0	[4]1.1
Total Assets (USD million)	930,355.4	886,908.2	922,628.9	948,266.3	873,603.8	[4]1.6
Tangible Common Equity (EUR million)	28,294.0	26,747.2	28,036.5	27,946.7	25,713.4	[4]2.4
Tangible Common Equity (USD million)	38,738.7	36,856.2	36,963.1	36,278.9	34,495.6	[4]2.9
Problem Loans / Gross Loans (%)	--	2.7	2.3	2.1	1.7	[5]2.2
Tangible Common Equity / Risk Weighted Assets (%)	13.1	12.7	12.6	12.5	11.7	[6]13.1
Problem Loans / (Tangible Common Equity + Loan Loss Reserve) (%)	48.6	41.0	34.9	31.4	27.7	[5]36.7
Net Interest Margin (%)	1.4	1.3	1.3	1.4	1.3	[5]1.3
PPI / Average RWA (%)	1.9	1.2	1.9	1.5	1.6	[6]1.9
Net Income / Tangible Assets (%)	0.3	0.3	0.3	0.4	0.4	[5]0.3
Cost / Income Ratio (%)	66.6	79.9	67.6	71.8	70.1	[5]71.2
Market Funds / Tangible Banking Assets (%)	42.4	39.2	43.0	45.7	46.5	[5]43.3
Liquid Banking Assets / Tangible Banking Assets (%)	19.3	21.1	23.0	21.4	17.9	[5]20.5
Gross Loans / Total Deposits (%)	--	135.0	136.1	133.3	143.1	[5]136.9

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

This publication amends the Credit Opinion for an error in the What Could Change The Rating Up section. The following sentence "A confirmation of Rabobank's BCA at a1 would lead to a confirmation of the bank's long-term debt and deposit ratings" was changed to "A confirmation of Rabobank's BCA at a1 would lead to an upgrade of the bank's long-term debt and deposit ratings to Aa1."

On March 17 , we placed Rabobank Nederland's (Rabobank) long-term debt and deposit ratings (currently at Aa2) on review with direction uncertain, the completion of which will depend on the outcome of the review on the baseline credit assessment (currently a1) as the Loss Given Failure (LGF) analysis is likely to result in a two-notch uplift for deposits and senior debt and systemic support will be reduced to only one notch from two notches at present. The short-term debt and deposit ratings were unaffected. Furthermore, we placed the subordinated debt rating on review for downgrade. The rating on Rabobank's additional tier 1 (AT1) issued in January 2015 was affirmed at Baa3(hyb); it is currently not under review.

Rabobank's baseline credit assessment (BCA) of a1 was placed on review for downgrade in reflection of the recent negative pressures that the bank witnessed on its asset quality and profitability. Although Rabobank's results suggest that the bank's asset quality issues, notably in the Dutch commercial real estate segment, are largely behind it, the review will re-assess the positioning of the bank's BCA versus its peer group after a few semesters of lacklustre results.

Nonetheless, the bank's BCA is supported by its conservative business profile and management, as well as its strong financial fundamentals. The bank's leading position in the Dutch banking sector and strong franchise in the agribusiness sector worldwide, combined with its strong focus on domestic retail banking, are the primary drivers for its stable core earnings generation capacity. 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.

At the same time, Rabobank's standalone financial strength is constrained by its structural reliance on wholesale funding. This credit weakness is, however, mitigated by the significant lengthening of the duration of debt issued by Rabobank in recent years and its significant liquidity buffers. We also believe that Rabobank's liquidity is robust and has benefited (over the past few years) from its safe haven status.

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 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.

The Dutch banking system is highly reliant on wholesale funding, which we consider a credit weakness. Compared to other European countries, it has a relatively low stock of bank deposits because of the incentives offered to Dutch households to invest large portions of their savings in pension funds.

RATING DRIVERS

- Strong franchise focused on the Netherlands, with commanding market positions

- Co-operative network-based corporate governance has been effective in containing the group's risk profile

- Low earnings volatility offsets somewhat lower profitability

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

- Capitalisation levels provide sound loss absorption capacity

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

- 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 debt and deposits

RATING OUTLOOK

The review for downgrade on Rabobank's BCA of a1 was triggered by our view that the Rabobank's standalone financial profile could be better reflected in a BCA one notch lower than the current level. The review will focus on the analysis and relative positioning versus peers of Rabobank's asset quality and profitability, notably.

The review with direction uncertain on Rabobank's long-term debt and deposit ratings was triggered by the negative pressure on its adjusted BCA and the introduction of our new methodology, and specifically our advanced Loss Given Failure (LGF) analysis, which applies to Rabobank given that it is subject to an operational resolution regime under the Bank Recovery and Resolution Directive (BRRD). The conclusion of the review will essentially hinge on the outcome of the review on the BCA, as we expect both the debt and deposit ratings to benefit from a two-notch uplift from our LGF analysis and from one notch of government support, reflecting a moderate probability of support, in line with that for deposits.

The review for downgrade of Rabobank's junior instruments is driven by the review on the bank's BCA. We continue to believe that the probability of government support for Rabobank's subordinated instruments to be low and there is thus no uplift from its unsupported level.

WHAT COULD CHANGE THE RATING UP

Rabobank's ratings are at the higher end of banks' ratings globally, reflecting our view of the strong credit profile of the institution. In contrast, its reliance on wholesale funding and relatively weak efficiency appear as credit weaknesses, which, combined with a still challenging operating environment that continues to put pressure on the asset quality of Dutch banks, leads us to consider that upwards rating pressures are remote.

Nonetheless, Rabobank's long-term debt and deposit ratings could be upgraded by one notch if its BCA is confirmed at a1, which may occur if 1) the bank's relative positioning versus peers appears more favourable than expected; 2) the bank's profitability improves from current deteriorated levels; and 3) the Dutch economy and the real estate market rebound and pressures on asset quality diminishes.

A confirmation of Rabobank's BCA at a1 would lead to an upgrade of the bank's long-term debt and deposit ratings to Aa1.

WHAT COULD CHANGE THE RATING DOWN

The bank's BCA is on review for downgrade with a guidance of one notch down. The review will focus on the analysis and relative positioning versus peers of Rabobank's asset quality and profitability, notably. A one notch downgrade of the BCA would occur if the review confirms that the bank's asset quality and profitability have deteriorated compared to historical potential and that the bank's relative positioning versus peers has therefore become inappropriate.

A two-notch downgrade of the BCA could occur if, in addition to the reasons previously mentioned, the recent improving trends in the Dutch economy and the real estate market are not confirmed and if significant asset quality pressures resurface as a result.

Rabobank's long-term debt and deposit ratings would be downgraded by one notch if its BCA was downgraded by two notches.

DETAILED RATING CONSIDERATIONS

STRONG FRANCHISE FOCUSED ON THE NETHERLANDS WITH COMMANDING MARKET POSITIONS

Rabobank's franchise is anchored on its leading position in the Netherlands where it generates around 55% of its income (H1 2014). The franchise is complemented by 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; 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 co-operative institutions (Rabobanks) and are supported by the wholesale banking capacities of Rabobank Nederland. The group's market shares range from 20% to 42%, both in the retail and corporate areas, whilst it reaches 85% in the domestic food and agribusiness banking segments.

International operations are also an area of strategic importance to Rabobank, both as a way to serve Dutch clients operating internationally via the foreign branch network, and to capitalise on its knowledge 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" strategy in a selected number of countries. These include, the United States, Brazil and Chile, accounting altogether for around 8.5% of Rabobank's private sector loan book; Europe outside the Netherlands representing 3.4% of the bank's total loans; and Australia and New Zealand, representing together 4.3% 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)), property (Bouwfonds Property Development, FGH Bank, Bouwfonds REIM, and MAB Development) and leasing (De Lage Landen, including Athlon). We have noted that the commercial real estate development activities of MAB Development is being phased out.

CO-OPERATIVE NETWORK-BASED CORPORATE GOVERNANCE HAS BEEN EFFECTIVE IN CONTAINING THE GROUP'S RISK PROFILE

Rabobank's corporate governance is dominated by the relationship between the 113 local Rabobanks, which form together the co-operative network, and Rabobank Nederland, the group's central body. In addition to its original function as a provider of support to the Local Rabobanks and the holding company for several specialist subsidiaries, Rabobank Nederland has supervisory responsibilities over the local Rabobanks on behalf of the regulator. The local Rabobanks' scope of operations - largely focused on lending and collecting deposits and savings - is subject to strict internal rules, which notably does not allow them to access capital markets. Risk policies are centralised and market risks other than credit risk must be hedged with Rabobank Nederland's treasury.

However, the local Rabobanks and representatives of the local communities have important powers under the Articles of Association over the group's strategic decisions. Through their representation in the Central Delegates Assembly (which meets at least four times a year) and the General Meeting, the local Rabobanks have consistently acted as an effective counter-balancing force against the bank's management in decisions involving major investments outside the Netherlands as well as domestic activities, scrutinising the benefit of these decisions for the co-operative interests. We believe this governance model has historically played an important role in containing the risks taken by the bank.

Although the recent investigations on LIBOR /EURIBOR manipulation revealed compliance shortcomings, which was unexpected at Rabobank, we note that the bank has taken strict measures to tackle these deficiencies. We expect that, going forward, Rabobank will continue to preserve its governance model based on its cooperative network, a conservative management under the stewardship of a new CEO and high standards in risk management. In addition, Rabobank is currently in the process of reviewing its governance model, which could result in local banks working together from a single cooperative with a combined banking license. The goal would be to enhance corporate governance of the group and improve efficiency. The final decision on this project has not been taken yet and is not expected to be taken before year-end 2015.

LOW EARNINGS VOLATILITY OFFSETS SOMEWHAT LOWER PROFITABILITY

As a co-operative group, Rabobank is not operating with the same high profitability constraints as peer joint-stock companies, but seeks to generate consistent and sustainable profits. Consequently, the group has maintained a more conservative policy than 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.

In the first half of 2014, Rabobank posted a net profit of EUR 1,080 million. This result was negatively impacted by the EUR 214 million Dutch government resolution levy in connection with the nationalisation of SNS Reaal. Loan loss provisions, concentrated in the Netherlands mainly in commercial real estate and to a lesser extent in greenhouse horticulture, also weighed on the group's results at EUR 1,188 million, or 54 basis points of average lending. This compares to a long-term average of 32 basis points. We do expect the significant loan loss provisions recorded in conjunction with commercial real estate exposures during 2013 and H1 2014 to represent the vast majority of the necessary provisions in this regard. In addition, the group was able to achieve significant cost reduction during H1 2014, with staff costs diminishing by 6% over H1 2013, bringing the cost-to-income ratio to 61.7%. The lower expected loan loss provisions and continued effort of cost cutting should progressively bring down the cost-to-income ratio towards 60% and improve profitability back to historical earnings potential.

In 2013, the group's results includes unusually high amounts of one-off items, the main of which are (1) EUR774 million settlements in relation to the Libor investigations, (2) restructuring provisions in both domestic operations and real estate development activities totaling circa EUR350 million, more than offset by (3) EUR1,585 million capital gain on the sale of Robeco completed in July 2013. The net positive effect of these items offset the decline of the recurring profit of the group who ultimately posted a bottom-line profit of EUR2 billion in 2013, slightly below the previous year.

Excluding the aforementioned one-off items, the group's profit in 2013 is around EUR1.5 billion, down 25% on 2012. This drop can primarily be attributed to (1) higher loan loss provisions of EUR2.6 billion (or 59bps of the outstanding portfolio; 2012: 52bps), primarily driven by the continued deterioration of the domestic commercial real estate sector - CRE -, (2) as well as higher impairments on land holdings and revaluations of land operations in the group's property development portfolio. Including losses incurred in the Irish portfolio held through ACC Bank, credit costs on the group's overall CRE exposures increased by EUR0.4 billion to EUR1.1 billion in 2013. Based on our estimation, total loan loss provisions absorbed approximately 60% of the bank's `recurring' pre-provision income in 2013 (versus 50% in 2012 and one third - on average - in previous years), which is a high share.

We positively note that savings-deposits margins have recovered in H1 2014 and 2013, offsetting the negative effect of the small decrease in lending primarily due to lower demand for credit in the current subdued economic environment and higher prepayment on mortgages. Rabobank has also started to implement in 2013 a large-scale cost containment programme at both the local Rabobanks and Rabobank Nederland where 8000 and 1000-2000 job cuts respectively are targeted by year-end 2016. We expect these drastic measures to contribute to a gradual improvement of the group's efficiency.

STRUCTURAL RELIANCE ON WHOLESALE FUNDING IS MITIGATED BY AMPLE LIQUIDITY RESERVES AND THE TERM STRUCTURE OF WHOLESALE 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 2014, the group disclosed a loan-to-deposit ratio of 136% (year-end 2013: 135%). The improvement of the ratio since year-end 2012 (139%) is due to the combined effect of a rise in customer deposits and a slight fall in lending. In H1 2014, customer deposits fell by 1% as customers used savings to repay part of their mortgage loans in advance for tax reasons. Despite improvements, the excess of loan commitments over deposit funding remains sizeable, with EUR140 billion at end-June 2014 (year-end 2012: EUR151 billion) and continues to create a structural reliance on wholesale funding. In addition, a portion of the deposits are derived from international institutional and corporate investors, which may prove less stable than retail deposits.

We nevertheless 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 EUR239 billion gross wholesale funding outstanding at end-June 2014, approximately EUR164 billion comprised long-term debt (excluding the portion of long-term debt with residual maturity of less than one year). Out of these, in excess of EUR40 billion had residual maturities of five years or more. As at end-June 2014, the bank's liquidity buffer, consisting of cash, high-quality government bonds and other central bank eligible assets amounted to EUR103 billion, representing around 261% of the bank's net interbank borrowings and short-term debt securities (including the portion of long-term debt of which residual maturity 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 161% and 119% respectively at end-June 2014.

CAPITALISATION LEVELS PROVIDE SOUND LOSS ABSORPTION CAPACITY

We consider Rabobank's strong loss absorption capacity to be a key credit strength. At end-June 2014, Rabobank's Basel 3 Common Equity Tier 1 (CET1) ratio and Tier 1 ratio were 12.6% and 14.9% respectively, which provide good resilience to our scenario analysis.

We also positively note the substantial increase in the amount of Tier 2 capital, which at 4.8% of risk-weighted-assets at end-June 2014 (2013: 3.1%; 2012: 1.8%), has been the main contributor to the rise in the group's capital ratio to 19.7% as at the same date. This results from Rabobank's will to further increase the buffer of `bail-inable' debt to protect the senior unsecured bondholders from an eventual bail-in in the framework defined by the EU's Bank Resolution and Recovery Directive. This also reflects the bank's strategy to progressively adjust the composition of its capital base by further raising the share of retained earnings and Tier 2 capital.

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

We continue to view Rabobank's asset quality as sound because of (1) its conservative underwriting and investment policy; (2) its very limited exposure to countries in the euro area periphery; and (3) the stable performance of the structured credit portfolio. Nevertheless, with 76% of its private sector lending in the Netherlands, Rabobank could experience further pressures on the cost of risk as a result of the usual time lag between the recovery in the economy and the improvement of banks' asset performance. In 2012, 2013 and H1 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 EUR301 billion or 69% of Rabobank's total loan book at end-June 2014), the property sector as well as lending to greenhouse horticulture and inland shipping have contributed to the increase in credit costs. However, the residential mortgage portfolio, which represents a large portion of the segment, continued to perform well, with a credit cost of 5.4 bps in H1 2014, a slight decrease on 2013 (6.1 bps). Although this market continues to perform well, we continue to consider that its specific features - including very high loan-to-value (LTV) ratios and high proportion of bullet loans - make it particularly vulnerable in a scenario of a strong deterioration of the economy. We note that Rabobank's mortgage portfolio is performing significantly better than the 17 basis point average for the Dutch market reported in 2013.

- Within the wholesale and international retail banking segment (with a loan portfolio of EUR90 billion or 21% of Rabobank's total loan book at end-June 2014), credit costs have decreased to 35 bps in H1 2014 (2013: 57 bps), partly due to de-risking and run-off of ACC Bank.

- The performance of the leasing portfolio (EUR31 billion or 7% of Rabobank's total loan book at end-June 2014) has improved with credit costs of 47 bps (2013: 59 bps).

- The real-estate segment continued to deteriorate with value adjustments of 391 bps in H1 2014 (2013: 278 bps; 2012: 124bps). The decline in the Dutch commercial real estate market continues to weigh heavily on the portfolio of FGH Bank (loan portfolio of real-estate segment was EUR 19.6 billion or 4.5% of Rabobank's total loan book at end-June 2014). However, the real-estate segment reported a net loss of only EUR 90 million in H1 2014 (H1 2013: EUR -189 million) as it was not affected by the same land value impairment as in 2013. In 2013, the real estate segment's result was affected by approximately EUR0.6 billion impairments on land CRE held through the bank's equity participations in project development. We expect much lower impairments going forward. We note that, as a result of the Asset Quality Review in 2013 on the group's CRE exposures, the DNB assessed that Rabobank maintains an adequate level of Pillar 1 capital for this portfolio.

Rabobank was submitted to the ECB's Comprehensive Assessment. On 26 October 2014, the group passed both the Asset Quality Review and the two Stress Tests by significant margins. Rabobank's CET1 ratio was reported to be 11.20% under the baseline scenario and 8.35% under the adverse scenario, against minimum thresholds of 8% and 5.5%, respectively.

Overall, our assigned BCA is a2, one notch below the current BCA of a1, and in line with the unadjusted Financial Profile given by our scorecard.

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 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 9% of the bank's tangible banking assets in failure), and the subordination of 5.5% of tangible banking assets (and about 26% in the event of deposits being preferred to senior 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 debt's own volume (about 21% of the group's tangible banking assets in failure, or 30% including junior deposits), and the amount of subordination including residual equity (about 6%). This results in a Preliminary Rating Assessment (PRA) two notches above the BCA.

For junior securities issued by Rabobank, our initial 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 caused 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.

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 Nederland

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	2.7%	a2	↓	a3	Quality of assets	Sector concentration
Capital						
TCE / RWA	15.2%	aa3	←→	aa3	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	39.2%	ba2	←→	baa2	Term structure	Deposit quality
Liquid Resources						
Liquid Banking Assets / Tangible Banking Assets	21.1%	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	**a1 Possible Downgrade**
Affiliate Support notching	**–**
Adjusted BCA	**a1 Possible**

				Downgrade		

Instrument Class	Loss Given Failure notching	Additional notching	Preliminary Rating Assessment	Government Support notching	Local Currency rating	Foreign Currency rating
Deposits	--	--	--	--	Aa2 RUR Uncertain	Aa2 RUR Uncertain
Senior unsecured bank debt	--	--	--	--	Aa2 RUR Uncertain	Aa2 RUR Uncertain
Dated subordinated bank debt	--	--	--	--	A2 RUR Possible Downgrade	A2 RUR Possible Downgrade
Non-cumulative bank preference shares	--	--	--	--	Baa1(hyb) RUR Possible Downgrade	Baa1(hyb) RUR Possible Downgrade

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on http://www.moodys.com for the most updated credit rating action information and rating history.

MOODY'S INVESTORS SERVICE

© 2015 Moody's Corporation, Moody's Investors Service, Inc., Moody's Analytics, Inc. and/or their licensors and affiliates (collectively, "MOODY'S"). All rights reserved.

CREDIT RATINGS ISSUED BY MOODY'S INVESTORS SERVICE, INC. AND ITS RATINGS AFFILIATES ("MIS") ARE MOODY'S CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES, AND CREDIT RATINGS AND RESEARCH PUBLICATIONS PUBLISHED BY MOODY'S ("MOODY'S PUBLICATIONS") MAY INCLUDE MOODY'S CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES. MOODY'S DEFINES CREDIT RISK AS THE RISK THAT AN ENTITY MAY NOT MEET ITS CONTRACTUAL, FINANCIAL OBLIGATIONS AS THEY COME DUE AND ANY ESTIMATED FINANCIAL LOSS IN THE EVENT OF DEFAULT. CREDIT RATINGS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS AND MOODY'S OPINIONS INCLUDED IN MOODY'S PUBLICATIONS ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. MOODY'S PUBLICATIONS MAY ALSO INCLUDE QUANTITATIVE MODEL-BASED ESTIMATES OF CREDIT RISK AND RELATED OPINIONS OR COMMENTARY PUBLISHED BY MOODY'S ANALYTICS, INC. CREDIT RATINGS AND MOODY'S PUBLICATIONS DO NOT CONSTITUTE OR PROVIDE INVESTMENT OR FINANCIAL ADVICE, AND CREDIT RATINGS AND MOODY'S PUBLICATIONS ARE NOT AND DO NOT PROVIDE RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES. NEITHER CREDIT RATINGS NOR MOODY'S PUBLICATIONS COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. MOODY'S ISSUES ITS CREDIT RATINGS AND PUBLISHES MOODY'S PUBLICATIONS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL, WITH DUE CARE, MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.

MOODY'S CREDIT RATINGS AND MOODY'S PUBLICATIONS ARE NOT INTENDED FOR USE BY RETAIL INVESTORS AND IT WOULD BE RECKLESS FOR RETAIL INVESTORS TO CONSIDER MOODY'S CREDIT RATINGS OR MOODY'S PUBLICATIONS IN MAKING ANY INVESTMENT DECISION. IF IN DOUBT YOU SHOULD CONTACT YOUR FINANCIAL OR OTHER PROFESSIONAL ADVISER.

ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY LAW, INCLUDING BUT NOT LIMITED TO, COPYRIGHT LAW, AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN

WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT MOODY'S PRIOR WRITTEN CONSENT.

All information contained herein is obtained by MOODY'S from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, all information contained herein is provided "AS IS" without warranty of any kind. MOODY'S adopts all necessary measures so that the information it uses in assigning a credit rating is of sufficient quality and from sources MOODY'S considers to be reliable including, when appropriate, independent third-party sources. However, MOODY'S is not an auditor and cannot in every instance independently verify or validate information received in the rating process or in preparing the Moody's Publications.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability to any person or entity for any indirect, special, consequential, or incidental losses or damages whatsoever arising from or in connection with the information contained herein or the use of or inability to use any such information, even if MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers is advised in advance of the possibility of such losses or damages, including but not limited to: (a) any loss of present or prospective profits or (b) any loss or damage arising where the relevant financial instrument is not the subject of a particular credit rating assigned by MOODY'S.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability for any direct or compensatory losses or damages caused to any person or entity, including but not limited to by any negligence (but excluding fraud, willful misconduct or any other type of liability that, for the avoidance of doubt, by law cannot be excluded) on the part of, or any contingency within or beyond the control of, MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers, arising from or in connection with the information contained herein or the use of or inability to use any such information.

NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY SUCH RATING OR OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER.

Moody's Investors Service, Inc., a wholly-owned credit rating agency subsidiary of Moody's Corporation ("MCO"), hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by Moody's Investors Service, Inc. have, prior to assignment of any rating, agreed to pay to Moody's Investors Service, Inc. for appraisal and rating services rendered by it fees ranging from $1,500 to approximately $2,500,000. MCO and MIS also maintain policies and procedures to address the independence of MIS's ratings and rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold ratings from MIS and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually at www.moodys.com under the heading "Investor Relations — Corporate Governance — Director and Shareholder Affiliation Policy."

For Australia only: Any publication into Australia of this document is pursuant to the Australian Financial Services License of MOODY'S affiliate, Moody's Investors Service Pty Limited ABN 61 003 399 657AFSL 336969 and/or Moody's Analytics Australia Pty Ltd ABN 94 105 136 972 AFSL 383569 (as applicable). This document is intended to be provided only to "wholesale clients" within the meaning of section 761G of the Corporations Act 2001. By continuing to access this document from within Australia, you represent to MOODY'S that you are, or are accessing the document as a representative of, a "wholesale client" and that neither you nor the entity you represent will directly or indirectly disseminate this document or its contents to "retail clients" within the meaning of section 761G of the Corporations Act 2001. MOODY'S credit rating is an opinion as to the creditworthiness of a debt obligation of the issuer, not on the equity securities of the issuer or any form of security that is available to retail clients. It would be dangerous for "retail clients" to make any investment decision based on MOODY'S credit rating. If in doubt you should contact your financial or other professional adviser.

For Japan only: MOODY'S Japan K.K. ("MJKK") is a wholly-owned credit rating agency subsidiary of MOODY'S Group Japan G.K., which is wholly-owned by Moody's Overseas Holdings Inc., a wholly-owned subsidiary of MCO. Moody's SF Japan K.K. ("MSFJ") is a wholly-owned credit rating agency subsidiary of MJKK. MSFJ is not a Nationally Recognized Statistical Rating Organization ("NRSRO"). Therefore, credit ratings assigned by MSFJ are Non-NRSRO Credit Ratings. Non-NRSRO Credit Ratings are assigned by an entity that is not a NRSRO and, consequently, the rated obligation will not qualify for certain types of treatment under U.S. laws. MJKK and MSFJ

are credit rating agencies registered with the Japan Financial Services Agency and their registration numbers are FSA Commissioner (Ratings) No. 2 and 3 respectively.

MJKK or MSFJ (as applicable) hereby disclose that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by MJKK or MSFJ (as applicable) have, prior to assignment of any rating, agreed to pay to MJKK or MSFJ (as applicable) for appraisal and rating services rendered by it fees ranging from JPY200,000 to approximately JPY350,000,000.
MJKK and MSFJ also maintain policies and procedures to address Japanese regulatory requirements.