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## Cooperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank Nederland)

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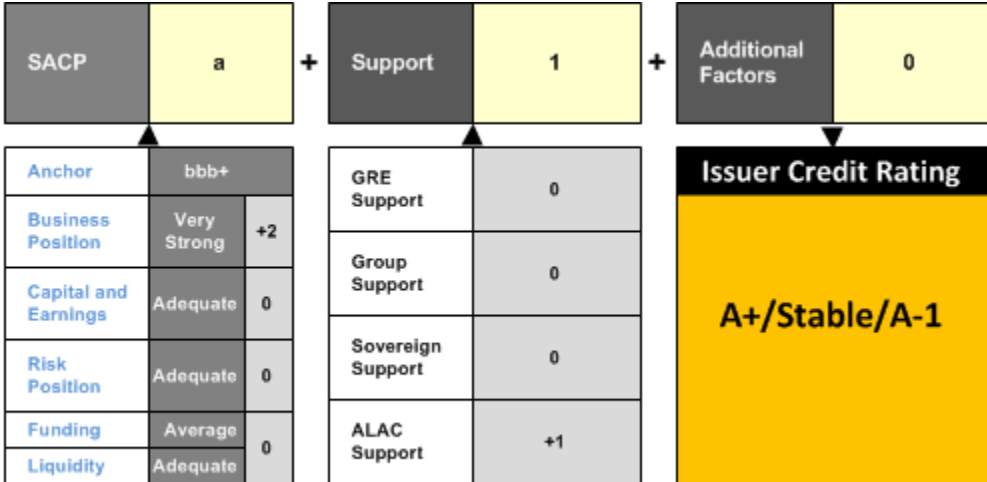
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# Cooperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank Nederland)



ALAC--Additional loss-absorbing capacity. GRE--Government-related entity. SACP--Stand-alone credit profile.

## Major Rating Factors

**Counterparty Credit Rating**  
A+/Stable/A-1

<b>Strengths:</b>	<b>Weaknesses:</b>
<ul style="list-style-type: none"> <li>• Prioritization of long-term franchise growth over short-term returns.</li> <li>• Market-leading franchise in The Netherlands.</li> <li>• Strongly performing domestic residential mortgages represent just under one-half of the loan book.</li> </ul>	<ul style="list-style-type: none"> <li>• Commercial real estate loan book has performed poorly, though we see signs of recovery.</li> <li>• The bank is working through a variety of changes to its domestic and international operations as it emerges from a period of reputational damage.</li> </ul>

## Outlook

The stable outlook reflects our expectation that Rabobank Nederland's earnings will remain resilient, and reasonably predictable, over the next 18-24 months as it works through a variety of changes to its domestic and international operations.

If we have cause to doubt Rabobank Nederland's business stability or the success of the implementation of its strategy, relative to similarly highly rated peers, we could lower the ratings. We would reflect this view by lowering the business position assessment to "strong" from "very strong". Conceivably, however, this potential rating action could be negated if we consider at that time that Rabobank Nederland's additional-loss absorbing capacity (ALAC) is already above our higher ALAC threshold of 8%; it would, however, affect our hybrid ratings as we derive these from the unsupported group credit profile (GCP).

At this time, given our view that Rabobank Nederland is in the midst of a period of change, we consider that a ratings upgrade is unlikely. Nevertheless, we are cognizant that management is keen to improve the bank's capitalization and, over time, this may feed through to our own capital and earnings assessment in a positive manner. However, a positive rating action would also depend on a full comparison of the issuer credit rating on the bank with highly rated global peers.

## Rationale

The starting point for our ratings on Rabobank Nederland is its 'bbb+' anchor, which is primarily based on our view of the banking system in its home market of The Netherlands. We then adjust for the following bank-specific factors:

- A "very strong" business position due to its strong franchise in The Netherlands.
- An "adequate" capital and earnings assessment primarily driven by our projection of a RAC ratio in the 9.0%-9.5% range by end-2017.
- An "adequate" risk position, reflecting our assessment of the bank's relative overall loss experience.
- "Average" funding and "adequate" liquidity, since we consider that the relatively high loan-to-deposit ratio by international standards is mitigated by the improving maturity profile of Rabobank Nederland's wholesale funding and its sound liquidity buffers.

Finally, we adjusted the resulting 'a' unsupported GCP upward by one notch, reflecting our view of Rabobank Nederland's ALAC buffer, to arrive at the 'a+' supported GCP or ICR.

### Anchor: 'bbb+'

The 'bbb+' anchor draws on our Banking Industry Country Risk Assessment (BICRA) methodology and our view of the weighted-average economic risk in the countries in which Rabobank Nederland operates, based on the geographic distribution of its private sector customer lending, roughly: The Netherlands (75%), North America (10%), Australia (5%), the rest of Europe (5%) and the rest of the world (5%). The economic risk score for The Netherlands is '3' on a scale of 1-10 (1 is the lowest risk and 10 is the highest), and the weighted-average score for the countries in which

Rabobank Nederland operates is just above that mark. We base our assessment of economic risk on our view that the Dutch economy is wealthy, diversified, open, and competitive, as seen in its high income per capita, its net external asset position, recurrent and elevated current account surpluses, and a long track record of prudent and flexible macroeconomic policies. Following real GDP growth of 1% in 2014, we believe that The Netherlands' real GDP will accelerate by just under 2% annually during 2015-2018. This is based on the recovery in domestic demand, as private consumption will benefit from rising disposable income and solid labor market performance, and also stronger investment activity starting from this year. These economic growth drivers are only partly offset by the government's decision to further limit natural gas production, which will have a negative impact on exports, risks emanating from the slowdown in emerging markets and the possible effects on The Netherlands' main trading partners in the eurozone. We anticipate that after several years of adjustment, the housing market will gradually recover on the back of higher disposable income and benign financial conditions. Still, we observe that this gradual turnaround is uneven across the country and that vacancy rates in the commercial real estate sector remain high. In the office subsector, for example, vacancies are at 15%-20%.

Our assessment of industry risk for Dutch banks incorporates strong domestic concentration and our view that the competitive environment is stable. We consider that the prospective profitability of domestic banking activities is adequate. The system's relatively heavy reliance on wholesale funding is partly attributable to households' propensity to save using life insurance and pension products, rather than bank deposits. Ongoing Dutch banking sector deleveraging continues to reduce the external debt of its financial sector. We consider that Dutch systemwide funding profile benefits from factors including the depth of the domestic capital market and the Dutch authorities' good track record in providing liquidity support.

**Table 1**

<b>Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank Nederland) Key Figures</b>					
<b>--Year-ended Dec. 31--</b>					
<b>(Mil. €)</b>	<b>2015*</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
Adjusted assets	673,336	679,027	672,148	750,067	728,863
Customer loans (gross)	457,930	453,500	453,682	477,604	464,148
Adjusted common equity	27,875	26,324	26,403	29,415	31,641
Operating revenues	6,927	12,737	13,020	13,452	13,378
Noninterest expenses	3,954	8,222	8,807	9,027	8,720
Core earnings	1,698	1,264	780	1,137	1,942

\*Data as of June 30.

### **Business position: Resilient franchise likely to remain robust**

We consider Rabobank Nederland's business position to be "very strong". This is based upon our view of its relative business stability, which we believe is demonstrated by its very high domestic market share and ability to convert this into reasonably predictable and recurring earnings. We believe that its international activities focused upon food and agriculture add to the diversity of its domestic business. In addition, we consider the strategy to be prudent and note that as a cooperative organization it prioritizes steady, long-term franchise growth over short-term returns. Our base-case assumption is that this assessment, which ranks highly on an international basis, is likely to remain resilient

even though we consider that the bank is in the midst of a period of significant change.

Key domestic peers are ING Bank N.V. and ABN AMRO Bank N.V. We consider that Rabobank Nederland has a stronger business position than its Dutch peers. This reflects our view of its position in the Dutch market and the fact that it did not require support from the government during the financial crisis. We note that only a handful of banks globally, with a similar industry risk score to Rabobank Nederland, have a "very strong" business position--for example, BNP Paribas, HSBC, and JPMorgan. Closer peers, in terms of their business profile, with a "strong" business position assessment include, for example, Commonwealth Bank of Australia, Lloyds, Nordea, and Royal Bank of Canada.

Stable revenue generation from the bank's domestic and commercial banking activities is a key supporting factor (see charts 1 and 2). This stability is underpinned by Rabobank Nederland's diversified product offering and its leading positions in Dutch household savings (a reported 35% market share at June 30, 2015), residential mortgages (22% of flow in the first half of 2015 though the share of stock is higher at about 32%), and lending to trade, industry, and service sectors (41% in the first half of 2015). The bank's roots are in financing the Dutch agriculture sector, and it still dominates this market; its market share is around 85%.

**Chart 1**

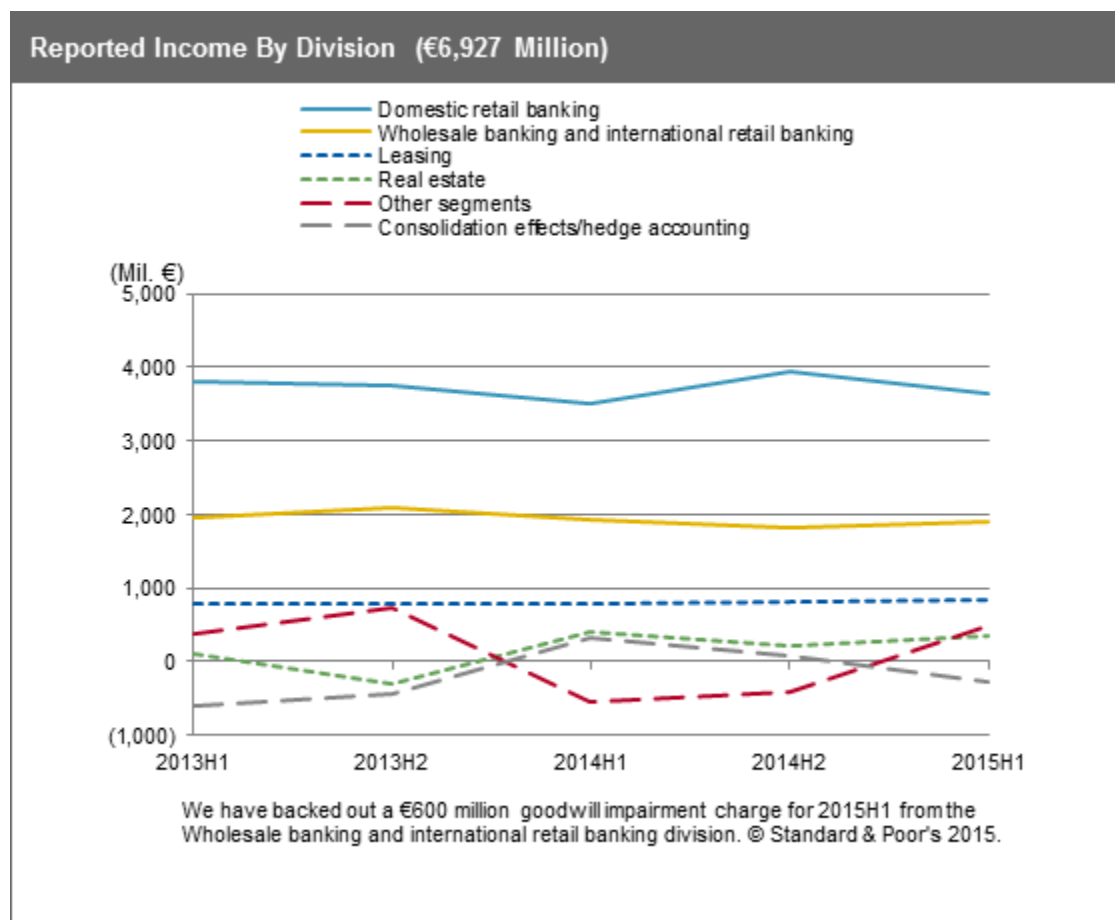
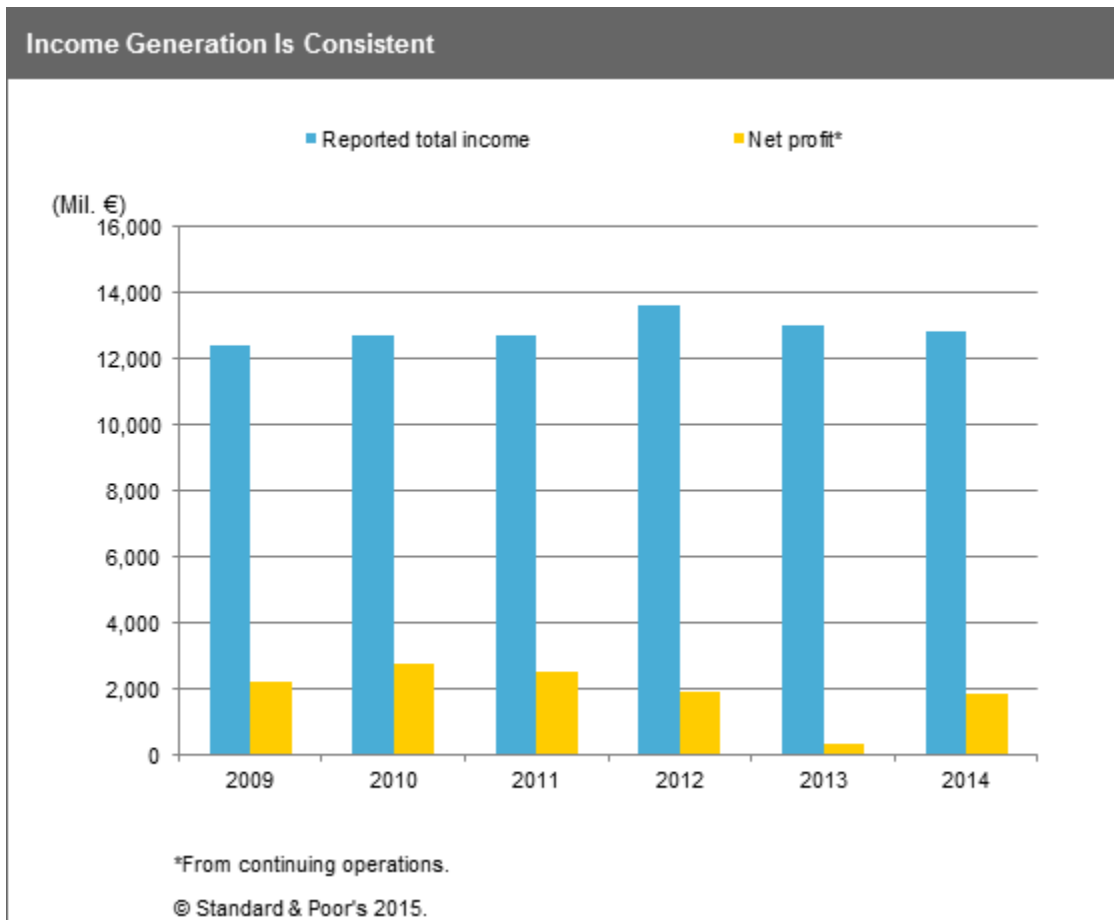


Chart 2



Rabobank Nederland is less diversified internationally than several larger banks, but we believe that its focus is linked to its core expertise. Its primary international activities focus upon supporting Dutch clients and its traditional core market of food and agriculture financing. Its international network is consequently focused on major agriculture centers in Europe, the Americas, and Australasia.

In late 2013, Rabobank Nederland announced that a number of its employees had previously been involved in inappropriate conduct related to interbank rate submissions, and that its governance framework had failed to identify and manage these risks. The events occurred between 2005 and early 2011, and the company reported that 30 employees were involved in, aware of, or should have been aware of the inappropriate conduct. The bank incurred a charge of €774 million in its 2013 accounts.

The bank has taken a number of steps to address these issues. In addition to implementing an enhanced compliance, risk management, and control program, these include changes to the management team, significant culture change initiatives, and aligning the bank into one operation such that its international activities are no longer managed separately from the rest of the bank. On top of this, the bank announced plans to more significantly reduce the cost base of its domestic retail operations.

In 2015, we observe that Rabobank Nederland is continuing this process of change. Specifically, it:

- Announced external hires for a new CFO and CRO, to replace the existing incumbent who has combined the role.
- Took further steps to create "one bank", including proposals to change the governance structure, resulting in local Rabobanks and Rabobank Nederland (the central entity) becoming one legal entity with one banking licence, subject to the approval of the local Rabobanks' member councils (now approved) and Rabobank's General Meeting in mid-December 2015.
- Integrated its real estate financier FGH Bank within Rabobank Nederland, as part of a planned reduction in the prominence of commercial real estate lending.
- Further narrowed its international operations towards its core food and agri expertise.

Taken together, we judge that this multi-year program of change at Rabobank Nederland is a plausible strategy to simplify the organization, focus upon cost control in a low rate environment, and retain and build on its core strengths in its domestic franchise and the food and agri sector internationally. That said, if we see a risk to Rabobank Nederland's business stability or the success of the implementation of its strategy, relative to similarly highly rated peers, we could revise down our assessment of its business position.

### **Capital and earnings: Management is focused on improving capitalization**

We view Rabobank Nederland's capital and earnings as "adequate" and we project its risk-adjusted capital (RAC) ratio will improve to be in the range of 9.0%-9.5% by end-2017. We had previously assumed a 7.5%-8.0% forecast (by end-2016). The improved view principally reflects the inclusion of a €1.5 billion Additional Tier 1 hybrid instrument (issued by Rabobank Nederland in January 2015, which we classify as "intermediate equity" and include within our RAC calculation) and a less cautious outlook on loan impairment charges.

We calculate that Rabobank Nederland's year-end 2014 RAC ratio was 7.4% (see table 5) and we expect a ratio comfortably in excess of 8% by year-end 2015.

In our view, Rabobank's Nederland's mutuality restricts to some extent its ability to raise new core capital, if required. However, it has issued deeply subordinated Rabobank Certificates classified as common equity Tier 1 capital, which are listed and we include within adjusted common equity, and has demonstrated good access to the hybrid market.

Key elements of our base-case RAC projection include:

- While we cannot be certain on the scope or timing of the impact on Rabobank Nederland's balance sheet from the evolution of its strategy, under our base-case we assume a 5% reduction in the loan book in both 2016 and 2017, having assumed that the end-2015 loan book is broadly the same as that at end-2014.
- In light of the above, 2017 operating revenues to be about 15% lower than the €12.7 billion reported in 2014; we have also factored in a modest decline in net interest margins and fairly weak noninterest income trends.
- 2017 operating expenses, which includes the bank tax and other regulatory contributions, to be about 7%-8% lower than the €8.2 billion reported in 2014, partly because of the inclusion of the bank tax and other regulatory contributions from 2015, but also because we assume that the benefits of the domestic efficiency initiatives may only emerge over several years.
- The loan impairment charge to be in the 20-25 basis points range through 2015-2017, as Standard & Poor's base-case assumption is that the Dutch economy will perform reasonably well (we assume a 2.2% rise in real GDP in 2016).
- Standard & Poor's RWA to fall by 1% in 2015, and by 3% in both 2016 and 2017, a slower pace of decline than our

loan book projection, as we assume that lower risk-weighted Dutch mortgages will reduce in relative importance.

We note that the management is keen to improve the bank's regulatory capitalization and has targeted a common equity tier 1 ratio (CET1) of 14% by year end-2016. Rabobank Nederland reported a regulatory fully loaded CET1 ratio of 11.8% at June 30, 2015. By our measures, we consider that Rabobank Nederland's capitalization is not as strong as its CET1 ratio implies. This primarily reflects our more-conservative standardized risk-weighting that we apply.

In the first half of 2015, Rabobank Nederland reported a statutory profit before tax of €2,017 million, up significantly from €1,050 million in the same period in 2014. 2014 earnings were negatively impacted by a €214 million Dutch government levy for the banking sector related to the 2013 nationalization of SNS REAAL. More significantly, reported impairment charges reduced in the first half of 2015 to €356 million from €1,188 million as Rabobank Nederland's operating environment improved.

When using our measure of core earnings (which strips out exceptional items), we see that Rabobank Nederland's earnings are lower than we might expect. For example, we expect its ratio of core earnings to revenues to be about 14%-15% in 2015, albeit up on an average of about 11% in the prior five years; stronger performing international peers typically exceed 20% on a regular basis. In addition to the elevated impairment charges, we note that Rabobank Nederland's earnings capacity to date has been somewhat constrained, in our view, by the cost structure of its domestic activities, and--due to its cooperative roots--its lesser focus on profit maximization than commercial peers. For example, its cost-to-income ratio in the first half of 2015, by our measures, was quite high at 62% which compares with 57% at ABN AMRO and 48% at ING Bank.

We consider the quality of capital to be satisfactory. We calculate that adjusted common equity represented about 85% of total adjusted capital (TAC) at June 30, 2015, which is a similar proportion to its international peer group. Rabobank Nederland's only hybrid instruments eligible for TAC are the 2015 Additional Tier 1 issue, plus two \$1 billion issues from 2011 (see table 2).

**Table 2**

Reconciliation Of TAC			
Rabobank Nederland			
(Mil. €)	30/06/2015	31/12/2014	31/12/2013
Common shareholders' equity (as reported by the company)*	31,707	30,825	30,464
(+) Minority interest-equity	534	473	1,039
(-) Dividends (not yet accrued or distributed)	0	0	0
(-) Revaluation reserves	-599	-656	-360
(-) Goodwill and nonservicing intangibles	-1,508	-2,059	-1,991
(-) Interest-only strips	0	0	0
(-) Tax loss carryforwards§	-1,754	-1,754	-1,451
(+/-) Postretirement benefit adjustments	0	0	0
(-) Cumulative effect of credit-spread§	-506	-506	-1,366
(+/-) Other adjustments§	0	0	68
= Adjusted common equity (ACE)	27,874	26,323	26,403
(+) Preferred stock and hybrid capital instruments (subject to our limits)	5,092	3,306	2,859
(+) General reserves	0	0	0



**Table 2**

<b>Reconciliation Of TAC (cont.)</b>			
= Total adjusted capital (TAC)	32,966	29,629	29,262

\*Equity of Rabobank Nederland and local Rabobanks & Rabobank Certificates. §Data not disclosed at half-year.

**Table 3**

<b>Cooperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank Nederland) Capital And Earnings</b>					
	<b>--Year-ended Dec. 31--</b>				
<b>(%)</b>	<b>2015*</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
Tier 1 capital ratio	16.1	16.0	16.6	17.2	17.0
S&P RAC ratio before diversification	N.M.	7.4	7.0	7.2	8.2
S&P RAC ratio after diversification	N.M.	8.1	8.2	8.2	10.0
Adjusted common equity/total adjusted capital	84.6	88.8	90.2	91.1	91.7
Net interest income/operating revenues	64.7	71.6	69.8	67.6	69.0
Fee income/operating revenues	13.9	14.8	15.4	16.4	22.3
Market-sensitive income/operating revenues	N/A	4.6	2.2	7.0	3.5
Noninterest expenses/operating revenues	57.1	64.6	67.6	67.1	65.2
Preprovision operating income/average assets	0.9	0.7	0.6	0.6	0.7
Core earnings/average managed assets	0.5	0.2	0.1	0.2	0.3

\*Data as of June 30. N.A.--Not available. N/A--Not applicable. N.M.--Not meaningful.

**Table 4**

<b>Cooperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank Nederland) RACF [Risk-Adjusted Capital Framework] Data</b>					
<b>(Mil. €)</b>	<b>Exposure*</b>	<b>Basel III RWA</b>	<b>Average Basel III RW (%)</b>	<b>Standard &amp; Poor's RWA</b>	<b>Average Standard &amp; Poor's RW (%)</b>
<b>Credit risk</b>					
Government and central banks	120,961	6,975	6	4,279	4
Institutions	27,385	10,113	37	8,609	31
Corporate	227,283	92,063	41	181,854	80
Retail	226,837	40,850	18	98,586	43
Of which mortgage	164,441	20,625	13	49,332	30
Securitization§	12,824	2,988	23	8,705	68
Other assets	5,193	16,125	311	5,842	113
Total credit risk	620,483	169,113	27	307,874	50
<b>Market risk</b>					
Equity in the banking book†	6,028	14,550	495	61,663	1,023
Trading book market risk	--	5,091	--	7,094	--
Total market risk	--	19,641	--	68,757	--
<b>Insurance risk</b>					
Total insurance risk	--	--	--	0	--
<b>Operational risk</b>					
Total operational risk	--	23,125	--	23,698	--

Table 4

## Cooperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank Nederland) RACF [Risk-Adjusted Capital Framework] Data (cont.)

(Mil. €)	Basel III RWA		Standard & Poor's RWA	% of Standard & Poor's RWA
<b>Diversification adjustments</b>				
RWA before diversification	211,878		400,329	100
Total Diversification/Concentration Adjustments	--		-35,914	-9
RWA after diversification	211,878		364,415	91
(Mil. €)	Tier 1 capital	Tier 1 ratio (%)	Total adjusted capital	Standard & Poor's RAC ratio (%)
<b>Capital ratio</b>				
Capital ratio before adjustments	33,873	16.0	29,629	7.4
Capital ratio after adjustments†	33,873	16.0	29,629	8.1

\*Exposure at default. §Securitisation Exposure includes the securitisation tranches deducted from capital in the regulatory framework. †Exposure and Standard & Poor's risk-weighted assets for equity in the banking book include minority equity holdings in financial institutions. ‡Adjustments to Tier 1 ratio are additional regulatory requirements (e.g. transitional floor or Pillar 2 add-ons). RWA--Risk-weighted assets. RW--Risk weight. RAC--Risk-adjusted capital. Sources: Company data as of Dec. 31, 2014, Standard & Poor's.

**Risk position: Credit loss track record broadly in line with peers**

Our risk position assessment for Rabobank Nederland is "adequate". We don't believe that Rabobank Nederland's risk position is materially superior to major Dutch peers or international peers with a similar economic risk and product mix. In particular, we consider that its overall loss experience has been dampened by weaknesses in its CRE and small and medium enterprises (SME) portfolios. Credit performance improved in the first half of 2015--and we expect the level of performance to be largely unchanged in the second half of 2015--but this improvement is consistent with data that we observe at other Dutch banks.

Although its domestic market accounts for around three-quarters of total lending, Rabobank Nederland is active across all parts of the Dutch economy without undue concentrations. This is reflected in a diversification benefit of 12% at end-2014 under our RAC methodology. International operations are focused on the food and agriculture sectors in which Rabobank Nederland has longstanding expertise and competitive advantages. Consistent with our observations on its strategic plan we expect total new lending growth to be fairly cautious.

The bank states that its 10-year average total loan loss rate through June 2015 was 36 basis points, which we believe is indicative of the generally conservative credit culture. That said, we calculate that its loan loss rate averaged around 55 basis points over the 2012-2014 period. Looking ahead to the 2015-2017 period, our assumption of a 20-25 basis point loss rate average is not superior to our expectations for the major Dutch banks' estimates (see chart 3).

Loan losses have mainly arisen from its CRE and SME exposures. Rabobank Nederland's domestic CRE book is not large--about 6% of total net loans. However, the bank states that 24% of its Dutch CRE book was nonperforming at June 30, 2015, with provisions coverage of nonperforming loans being 37%. New CRE provisions were much more modest in the first half of 2015, compared to the past couple of years, in part reflecting the improved operating environment, and we assume that this will remain the case.

The domestic retail SME loan book is about 11% of the total loan book. The bank reports that about 10% of this portfolio was nonperforming at June 30, 2015, with provision coverage of 53%.

On a more positive note, Rabobank Nederland's two largest loan portfolios are performing well. Residential mortgages, 47% of the net loan book at June 30, 2015, have consistently performed better than Dutch peers. The bank states that just 0.6% of its residential mortgage book was three months or more in arrears at June 30, 2015. Provision charges are typically low, and lower than the system average. In part we believe this differential reflects Rabobank Nederland's typical avoidance of intermediary sourced lending, lower LTV lending, and bias toward older customers away from the largest cities.

Food and agribusiness, about 21% of the net loan book, is well diversified by type and by geography. About two-thirds of the book is international. While there are some pockets of weakness, for example Dutch greenhouse horticulture, we expect credit performance to remain sound.

We assume that underlying credit growth will be mild for the foreseeable future. In fact, we expect the total loan book to shrink as the CRE book reduces and some international exposures are reduced.

**Chart 3**

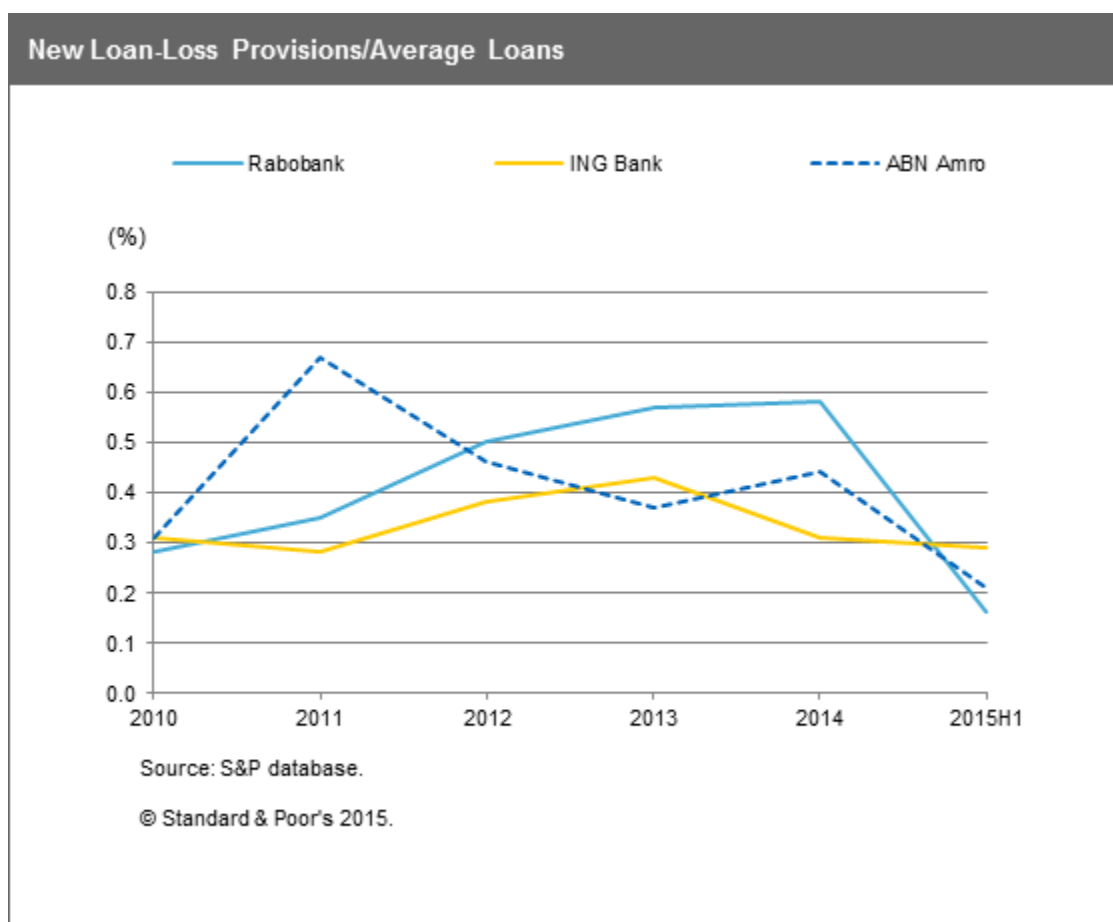


Table 5

Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank Nederland) Risk Position					
	--Year-ended Dec. 31--				
(%)	2015*	2014	2013	2012	2011
Growth in customer loans	2.0	(0.0)	(5.0)	2.9	3.0
Total diversification adjustment / S&P RWA before diversification	N.M.	(9.0)	(14.0)	(12.4)	(17.8)
Total managed assets/adjusted common equity (x)	24.2	25.9	25.5	25.6	23.1
New loan loss provisions/average customer loans	0.2	0.6	0.6	0.5	0.4
Net charge-offs/average customer loans	N.M.	0.5	0.4	0.5	0.3
Gross nonperforming assets/customer loans + other real estate owned	4.6	4.7	2.8	2.3	1.6
Loan loss reserves/gross nonperforming assets	43.0	44.0	32.6	33.2	42.2

\*Data as of June 30. N.A.--Not available. N/A--Not applicable. N.M.--Not meaningful.

### Funding and liquidity: Strong deposit franchise and well-managed wholesale funding base

We consider Rabobank Nederland's funding as "average" and its liquidity as "adequate". Its loan-to-deposit ratio is relatively high, a reported 132% at June 30, 2015, despite its leadership position in the domestic deposit market. However, we acknowledge that this profile is typical in the Dutch market due to the large amount of mortgage debt outstanding owing to tax relief, and because Dutch household savings are typically channeled into investments such as life insurance and pension products. We understand that management aims to achieve a ratio of 130% by the end of 2016 and that it considers that Rabobank Nederland meets the Basel III liquidity and funding requirements at June 30, 2015, with a liquidity coverage ratio of 130% and a net stable funding ratio of 115%. Over the next two years, we assume that the loan book will shrink, customer deposits will exhibit stability, and reliance on wholesale funding will reduce a little. Moreover, we assume that the existing liquidity buffer and fairly low reliance on short-term wholesale funding (for which we judge Rabobank Nederland's profile to be broadly similar to ABN AMRO and ING Bank) will persist.

Rabobank Nederland's funding profile is underpinned by its large, granular, and stable domestic deposit base. The bank states that its market share is 35%, which is very healthy on an international comparison. Market share has fallen slightly in recent years, from about 40%, in part as peers seek to rebalance their funding profiles, but we expect Rabobank Nederland's market share to not fall materially below the 35% mark. Wholesale funding is diversified and has a satisfactory maturity profile. We calculate that Rabobank Nederland's stable funding ratio was a satisfactory 100% at Dec. 31, 2014, up slightly on the year before, and we expect little change at year-end 2015.

Rabobank Nederland's liquidity position has strengthened materially over the past few years. The bank maintains a surplus of liquid assets well in excess of regulatory requirements. At June 30, 2015, it reported a liquidity buffer of €81 billion, which comfortably exceeds reported short-term wholesale funding. Just under one-half of the liquidity buffer comprises deposits at central banks, mainly held at the ECB and the FED, and Dutch government bonds. The remainder mainly consists of other assets eligible for repurchase agreement activity with central banks. Our measure of broad liquid assets to short-term wholesale funding was 1.2x at Dec. 31, 2014, unchanged from the year before, and we assume little change at year-end 2015.

**Table 6**

Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank Nederland) Funding And Liquidity					
(%)	--Year-ended Dec. 31--				
	2015*	2014	2013	2012	2011
Core deposits/funding base	57.1	56.9	57.1	53.4	54.0
Customer loans (net)/customer deposits	137.6	136.9	137.1	142.7	140.9
Long term funding ratio	81.8	81.8	81.8	79.0	79.1
Stable funding ratio	99.5	100.2	98.4	97.5	96.6
Short-term wholesale funding/funding base	19.3	19.3	19.2	22.2	22.2
Broad liquid assets/short-term wholesale funding (x)	1.1	1.2	1.2	1.1	1.1
Net broad liquid assets/short-term customer deposits	5.6	7.8	6.7	5.2	4.2
Short-term wholesale funding/total wholesale funding	44.1	44.1	44.3	47.3	47.7
Narrow liquid assets/3-month wholesale funding (x)	2.5	2.7	2.9	N/A	N/A

\*Data as of June 30. N.A.--Not available. N/A--Not applicable. N.M.--Not meaningful.

### External support: ALAC has replaced government support in Dutch bank ratings

In our view, Rabobank Nederland has high systemic importance in The Netherlands, mainly reflecting its material market share in retail deposits. Since December 2015, we have regarded the prospect of extraordinary government support for Dutch banks as "uncertain" in view of the country's well-advanced and effective resolution regime. As a result, systemic banks are not eligible for notching uplift for possible future Dutch government support.

However, we view the Dutch resolution regime as "effective" under our ALAC criteria because, among other factors, we believe it contains a well-defined bail-in process under which authorities would permit non-viable systemically important banks to continue critical functions as going concerns following a bail-in of eligible liabilities.

Our ALAC calculation at year-end 2014 includes regulatory capital instruments that have defined principal write-down triggers. On this basis, we calculate that ALAC was 5.2% of Standard & Poor's RWA at year-end, that is on a pro forma basis including the €1.5 billion Additional Tier 1 issuance in January 2015, of which "excess" TAC was 0.7%. Based on around €3 billion of Tier 2 issuance in 2015, we assume that this metric will be comfortably over 6% at year-end 2015. We believe this ratio is likely to increase over the next two years because future regulatory requirements appear likely to oblige Rabobank Nederland to increase the buffer of instruments that we expect will be ALAC-eligible. Also taking into account our projected RAC assumptions, we project that Rabobank Nederland's ALAC ratio will be in the 7.5%-8.0% range at year-end 2017.

### Additional rating factors

No additional factors affect the ratings.

## Related Criteria And Research

## Related Criteria

- Bank Rating Methodology And Assumptions: Additional Loss-Absorbing Capacity, April 27, 2015
- Bank Hybrid Capital And Nondeferrable Subordinated Debt Methodology And Assumptions, Jan. 29, 2015
- Revised Market Risk Charges For Banks In Our Risk-Adjusted Capital Framework, June 22, 2012
- Banks: Rating Methodology And Assumptions, Nov. 9, 2011
- Banking Industry Country Risk Assessment Methodology And Assumptions, Nov. 9, 2011
- Bank Capital Methodology And Assumptions, Dec. 6, 2010

## Related Research

- Rabobank Nederland Outlook Revised To Stable On Government Support And ALAC Review; 'A+/A-1' Ratings Affirmed, Dec. 3, 2015
- Most European Bank Ratings Affirmed Following Government Support And ALAC Review, Dec. 2, 2015

## Ratings Detail (As Of December 3, 2015)

### Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank Nederland)

Counterparty Credit Rating	A+/Stable/A-1
Certificate Of Deposit	
<i>Local Currency</i>	A-1
Commercial Paper	
<i>Foreign Currency</i>	A-1
<i>Local Currency</i>	A+/A-1
Junior Subordinated	BBB-
Preferred Stock	BBB-
Senior Unsecured	
<i>Greater China Regional Scale</i>	cnAAA
Senior Unsecured	A+
Senior Unsecured	A+/A-1
Senior Unsecured	A-1
Short-Term Debt	A-1
Subordinated	BBB+

### Counterparty Credit Ratings History

02-Dec-2015	A+/Stable/A-1
04-Nov-2014	A+/Negative/A-1
04-Nov-2013	AA-/Negative/A-1+
16-Nov-2012	AA-/Stable/A-1+
23-Jan-2012	AA/Negative/A-1+
07-Dec-2011	AA/Watch Neg/A-1+
29-Nov-2011	AA/Stable/A-1+

### Sovereign Rating

Netherlands (State of The)	AAA/Stable/A-1+
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### Related Entities

#### Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank Nederland), (London Branch)

Issuer Credit Rating	A+/Stable/A-1
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#### Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A., "Rabobank

**Ratings Detail (As Of December 3, 2015) (cont.)**

**Nederland" (New York Branch)**

Issuer Credit Rating	A+/Stable/A-1
Senior Unsecured	A+
Short-Term Debt	A-1
Subordinated	BBB+

**Cooperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank)  
New Zealand Branch**

Senior Unsecured	A+
Senior Unsecured	A-1

**Rabobank Nederland (Australia Branch)**

Senior Unsecured	A+
Senior Unsecured	A-1

**Rabobank Nederland (Hong Kong branch)**

Certificate Of Deposit	
<i>Foreign Currency</i>	A+/A-1
<i>Greater China Regional Scale</i>	cnAAA/cnA-1+

**Rabobank New Zealand Ltd.**

Issuer Credit Rating	A/Stable/A-1
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**Rabobank USA Financial Corp.**

Issuer Credit Rating	--/--/A-1
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**Rabo Capital Securities Ltd.**

Junior Subordinated	BBB-
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**Rabohypotheekbank N.V.**

Issuer Credit Rating	A+/Stable/--
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\*Unless otherwise noted, all ratings in this report are global scale ratings. Standard & Poor's credit ratings on the global scale are comparable across countries. Standard & Poor's credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.

**Additional Contact:**

Financial Institutions Ratings Europe; FIG\_Europe@standardandpoors.com

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